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# THE ROUND TABLE

A QUARTERLY REVIEW OF THE  
POLITICS OF THE BRITISH EMPIRE

Volume XI

121536  
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DECEMBER 1920 TO SEPTEMBER 1921

London: MACMILLAN & CO. LTD.







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## THE BRITISH COMMONWEALTH OF NATIONS IN 1921

THE Prince of Wales's return from Australia, New Zealand and the West Indies seems to complete a certain period in Imperial affairs. All the peoples of the Empire have been taking stock of the changes wrought by the war, like ships reading their position in the first sunshine after a violent storm. New ideas have emerged; some currents of national feeling have doubled and trebled their force, others are felt no more; it is an altered world for all, transfigured by new hopes, shaken with new fears, and uncertain of its lot.

On the one hand, a strong wave of humanitarian idealism has formed the League of Nations to simplify and moralize international dealing in the eager hope of abolishing war. On the other hand, a revolutionary materialism is assailing the social, economic and political fabric of civilized life, powerful in some countries, weak in others, but felt in some degree throughout the world. The terrible disparities of individual and even of national experience during the war, the contrast of men and peoples who have profited with men and peoples who have staked their all, have fostered widespread discontent. This has aggravated the "fever of anæmia," the mental and moral unrest, which have followed upon heroic effort, long-protracted strain, and awful loss. Though the British peoples, and especially the great oversea Dominions, have recovered much more rapidly than those parts of Europe



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which were the centre of the war, the Empire has had fever in its system for many months, and has felt the universal distraction of uncertainty and unrest.

Carried out in these apparently unfavourable conditions, the Prince of Wales's journeys have exercised a wonderfully cheering and steadying influence wherever he has been. The aura of keen and healthy youth which surrounds him has radiated hope and goodwill. His happy presence has been a solvent of social bitterness and political feud. He has often been described as an ambassador, but the word is misleading, for ambassadors are not fellow-countrymen of the peoples to whom they are sent. The Prince of Wales has taken naturally and of right to the democratic British life of the nations oversea; he has fallen straight into their hopes and fears without axes of his own to grind or policies to pursue. If diplomacy consists in being natural and pleased to please, he has been diplomacy itself; and, like Pippa passing, he has touched even the saddest and most subversive souls with a sudden feeling that the world is not so bad after all.

A private letter from a hospital in one of the Dominions recalls the very spirit of Browning's poem:—

When the eighty men left — for —, many of them boasted that they didn't care a rap about the Prince, but that it would be "a chance for a booze," and that most of them intended overstaying their leave. Yesterday every man returned, and not one of them—even the man who made the disturbance on parade—was even "half seas over." One and all had been intensely impressed by the Prince's own devotion to duty. It is one of those incidents which has to be seen before it can seem possible. The doctors, nurses, and sergeants in charge had gone away with sinking hearts. They have returned marvelling.

Heard among patients in hospital afterwards:—

1ST VOICE: "Oh, he's a man—no side."

2ND VOICE: "I wouldn't mind shaking hands with him again—makes you feel good somehow—don't know how he does it."

The power of personality is always beyond analysis, but it is hard to over-rate its value in one like the Prince of

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Wales, whose influence can spread as naturally as a breeze over the life of the King's subjects in all parts of the world.

The disillusionment which followed the conclusion of peace with Germany is now at last giving way to a fairly clear perception of the problems which the Empire must prepare to face. Circumstances have been deeply changed by the war, and the Imperial problem is looked upon as transformed. The most salient of all changes are the complete annihilation of German sea-power and the substitution of a widespread belief in international co-operation for the old precarious balance of power. The League of Nations is still an absolutely unrealized ideal; for though the League exists in name, and has even in practice done some useful work, European reconstruction is still in the main a matter of discussion between antagonistic groups, of which one group holds an overwhelming share of power. The League is also severely handicapped by the non-participation of the United States, whose new President-elect seems likely to suggest fundamental changes in its form.

Both these factors—the elimination of German sea-power and the establishment of the League—have profoundly influenced people's views about the problem of British unity. The Dominions have claimed, and have been generally acknowledged to possess, a status equal to that of the United Kingdom, both in the domestic relations of the British Empire and in the councils of the world. The formal unity of the Empire is at the same time recognised by common allegiance to one Sovereign, and by the fact that in the Council of the League of Nations the Empire is represented by a single vote. It was widely held for some time after the publication of the Covenant that the co-operation of the nations of the British Empire within the League of Nations was sufficiently provided for by the machinery of the League itself. The national status of the Dominions, assured by their possession of one vote



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each in the Assembly, where the United Kingdom also holds one vote, was regarded as no bar to united action in the Council, where the five sovereign British democracies must of necessity put their affairs into the hands of one representative, whose single vote commits them all. Whatever its practical difficulties—which are still largely unproved—this system justly represented the feelings of the Dominions at the time when it was made. It originated from the need of reconciling three powerful currents of feeling—first, a greatly and justly enhanced sense of national dignity in each of the Dominions, to which any subordination to the United Kingdom had become intolerable; second, a powerful popular belief in the ideal of international co-operation, which found expression in the League; and third, the ever-present, though often underlying, consciousness of British unity in aim and ideal which is symbolized by the Crown. Compact of these three strains, the system was a characteristically British compromise.

Some disillusionment has since ensued. The insistent troubles of Europe, the refusal of the United States to enter the League, and the rifts which have threatened to develop between some of the victorious Powers, have modified the eager popular hopes which were built upon the new system of international co-operation embodied in the Covenant. Attainment of the ideal is felt to be remote, though it remains an ideal still. On the other hand, events are bringing into prominence the vital importance of close co-operation between the British nations, whatever the fortunes of the wider League; and the Prince of Wales's journeys have stimulated thought and sentiment regarding the British Throne. He has, indeed, so much quickened the sense of British unity under the Crown that the political significance of the Crown in the Imperial system has been discussed from every point of view in public and in private for many months past; and opinion has moved rapidly towards a belief that the Monarchy may be relied on to

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serve not only as the key of the Imperial arch, but also as the buttresses to take its outward thrust.

From this point of view the Prince of Wales's journeys have been something of much deeper significance than a personal triumph, profoundly as his own personality has contributed to their success. His naturalness, his winning charm of manner, his absolute indifference to the artificialities of social rank or class, his close association with the soldiers of the Empire during the war, his own steady and unpretentious service as a junior officer at the front, his quickness to grasp and appreciate the atmosphere and idiom of the peoples amongst whom he has moved, and last but not least, the appeal of his youthful good looks and happy zest in life—all these things have won him a position in the hearts of the King's subjects everywhere which no member of the Royal Family has held so widely before. In spite of this, to describe his influence as entirely personal would be to minimise its real significance. He is not, like an actor or a politician, entirely dependent on his personal gifts. On the contrary, the all-conquering effect of his presence is due to the fact that, with all his charm of character and manner, he is also Prince of Wales and heir to a far-descended allegiance which enshrines all the most deep-seated loyalties of the British race. What that loyalty is and means was shown as by a lightning-flash when in August, 1914, the Empire found itself committed to a long battle for its life. It is the same sudden revelation of their innermost selves which touches great multitudes at the sight of the Prince of Wales.

For the Prince of Wales was not greeted merely as a romantic figure, a legendary Prince Charming out of Grimm's Tales, but with a universally possessive sense as "our" Prince—"ours" to Canadians, Australians and New Zealanders no less than to the people of England, Scotland and Wales. In the reaction from the war they had lost to some extent the vivid sense of British unity which inspired them until victory was secure. Grievance and unrest had



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obscured their deeper feelings, sheer necessity had turned their minds inwards to domestic affairs ; and amid the crash of many thrones under the onset of democratic ideas even the British Monarchy seemed no more than a cherished relic, out of keeping with the true movement of the times. The Prince of Wales routed these shadows at a touch. As "our" Prince, he revived that sense of a common loyalty which carried the Empire through the war ; and, as a young man eagerly sympathetic with democratic ideas, he revolutionised their doubts regarding monarchical regimes. Many felt before he came that royalty and the people could never mix, and when they found themselves mistaken marvelled at the strength of feeling which carried them away. Many others developed a new appreciation of the value of monarchy to democratic States. "Do we want an Australian Republic ?" asked an Australian newspaper of advanced opinions during the Prince of Wales's tour :—

Certainly not. A republic is not necessarily any better than a Monarchy, even though royal families, as institutions, are a survival, the existence of which can only be seriously defended by those without a sense of humour, not to speak of justice. If "all men are born equal and free," why should one man be born a pauper and another a king ? But while to dethrone a king accomplishes a dethronement, it does not necessarily do anything else. The issue, in other words, is not basic. The real king in modern times is not the royal personage who wears the crown, but King Capital. And King Capital is just as much a king in republican America, or republican France, as in royalist England. Indeed, King Capital is more of a king in the land of the Stars and Stripes than in the land of the Union Jack. We are scarcely concerned, therefore, about royalty. In fact, we frankly declare that we prefer the constitutional British royalty to some, indeed any, of the probable alternatives in the conditions of the British Empire. Would we be any better off with Mr. Lloyd George as British President or Mr. Hughes—neither of whom are men of their words, and both of whom are born autocrats, even though born in mean streets and drawn, if not from "the dregs of society," at least not from its superfine blue-blooded strains ? No, we have nothing to gain from merely toppling the throne. Further, King George is in no way obnoxious ; on the contrary, he has even won respect and popularity founded on a clean and honourable life and public duties cleanly and honourably

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discharged. What sort of respect would we have for the party-tossed politicians who would become presidents of a capitalistic republic? They would not live, like Lenin, on £6 a week, would they?

Again, we do not want to "cut the painter." We have nothing to gain thereby, but, on the contrary, much to lose, both in sentiment and security. To begin with, we have a real affection for the mother country, also we have a real pride in the potentialities for good of the political unity called the Empire, and again the whole tendency of the larger Labour sentiment is not towards separation and disunity in "independence," but towards unity in liberty and "inter-dependence," a unity, indeed, so complete in ideal as to visualise a world State in futurity, in one universal co-operative world, founded on freedom and right, geographically separated, and humanly united in the Parliament of Man. Hence, although Labour has a place for nationality, and prizes patriotism provided it is rational, the tendency of Labour is not towards a senseless separatism, which would split the planet more than it is already split. Further, as Anglo-Saxons, Irish, and Scotch, we not only honour the lands of our forefathers, but have a racial belief in the one racial mission, symbolised much more by the Empire's potentialities rather than by some of its present unfortunate actualities. From every point of view, cut the painter is distasteful. Nevertheless, if we are not let alone, an Australian Republic will be advocated for sure. And we do not want to see anything of the kind.\*

It is no wonder that oratory is tending to dwell with increasing insistence upon the unifying influence of the Crown.

Followed to its logical conclusion, the theory that five sovereign nations can remain permanently united by the single link of the Throne brings us face to face with the central Imperial problem of the time; and it is wise to pursue the logic of the matter faithfully, even if we believe that in practice the logic may be circumvented. In law it is no new thing for the Crown to sue the Crown; the Crown in this context is a legal symbol, and the fortunes of the case, whatever they may be, do not affect the fortunes of the Monarchy. In politics it is otherwise. The Crown, as the head of one Government, cannot disagree

\* From leading article, *Sydney World*, June 16, 1920.



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with the Crown as the head of another Government without one of two results ; either the Crown must decide in favour of one of the two Governments, in which case it is straining the Royal prerogative against the other Government ; or else the two Governments must pursue their separate courses, in which case the value of the Crown as a unifying principle in the Constitution becomes small. The equality of status which the Dominions have achieved makes this dilemma really acute. It is urged that in future the King must act on the advice of six different Governments, all of whom have separate votes in the Assembly of the League of Nations, and all of whom may disagree. The logic of the matter points, therefore, to a real danger that the Crown may be drawn into politics, and that its value as a symbol of all that is common and non-partizan in British life may in consequence be lost.

Is this logic too absolute to fit the practical conditions of life ? Possibly it is, but the views of leading statesmen in the Dominions suggest a doubt. The reason of this becomes apparent as soon as the logic is submitted to a practical test. Pending the establishment of some new constitutional mechanism for continuous consultation between the British nations, the Government of the United Kingdom remains responsible for the conduct of ordinary relations with foreign Powers. As no Canadian minister has yet been appointed to Washington, this is true even of the continental relations of Canada and the United States. So far as normal relations are concerned the system works ; but the real test lies in great questions of policy such as the renewal of the Anglo-Japanese Alliance, or the future of British control in Egypt and the Middle East. The Anglo-Japanese Alliance, in particular, affords a salient test. Is it certain that all the Dominions will hold identical views concerning it ? If not, are their divergent views to be represented separately to His Majesty, who will then have to exercise a new prerogative in choosing which policy he is to carry out ? Or will the different Governments of

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the Empire consult together beforehand, in order that, if possible, they may all agree to tender His Majesty the same advice ?

This problem of co-operation has recently been very capably and carefully explored in a book entitled *The British Commonwealth of Nations*.\* It comes from the pen of a young Australian writer, and deserves thorough study by all who take a practical interest in Imperial politics. After reviewing the constitutional developments of the last half century, with particular reference to the great changes established during the war, the author, Mr. Duncan Hall, argues with much cogency that some method of continuous consultation is absolutely necessary, and makes practical suggestions for this purpose. We may have occasion to deal in greater detail with Mr. Duncan Hall's suggestions and arguments. Here it is sufficient to say that we accept in principle his main conclusion that some further mechanism for co-operation is necessary to keep the peoples of the British Commonwealth a united force in international politics. General Smuts's recent and repeated references to the need of an Imperial Conference for this purpose will be in everybody's mind. The need is pointed with equal force by the imminence of a new Government in the United States, which will probably reopen the wider question of international co-operation under the Versailles Covenant.

We shall endeavour in due course to discuss the details of the problem of Imperial co-operation. For the moment, however, we wish to suggest only a method of approach. The argument for the unity of the Empire has hitherto always been stated as an argument from the whole to the parts. The great functions of the Empire in the world have been faithfully set out ; its disruption has been justly described as a catastrophe which every part of it would

\* *The British Commonwealth of Nations*. A Study of the Past and Future Development, by H. Duncan Hall, University of Sydney and Balliol College, Oxford. Methuen. See Note at the end of this article.



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desire to avert ; and from these premises reason has been shown for constitutional reorganisation, which would, people fear, necessarily limit in some degree the full national independence of the self-governing parts. The reaction from this method of argument is apparent everywhere ; and allegiance to the Crown, which is the Head of every British Government throughout the world, has become for the moment the all-sufficient sign and guarantee of the unity of the Commonwealth ; for this in no way impairs the movement towards full national status as the paramount aim in the political sphere. For the time being the unity is assumed, since, despite some logical dilemmas, it obviously exists ; and practical interest concentrates in each Dominion upon the national future which each people means to shape and control for itself.

This, we suggest, is the natural method by which the Imperial problem should now be approached. The Commonwealth will belie its name unless it can assure to all self-governing nations within it the fullest freedom to shape the form of their own community, to choose the character of the population which they recruit, and to play that part in the councils of the world which their national genius prompts. The argument should, therefore, proceed no longer from the whole to the parts, but from the parts to the whole—from the national aspirations of the Dominions to the constitution of the Commonwealth. As nations, the Dominions must decide to what future they aspire, and from this standpoint they must think out for themselves what degree of unity or what measures of co-operation they desire to maintain with the other members of the British family. If centripetal forces are to balance the centrifugal forces of the day, they must, to be effective, originate at the circumference.

The ROUND TABLE will endeavour to assist its readers throughout the Empire with the material of judgment on this, the immediate problem of the Commonwealth. It hopes in the future to publish the fullest possible record

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of the constitutional developments which have taken place during the war, so as to make it clear where the nations of the Empire now stand. It will seek to deal with all questions of urgent Imperial import by such articles as appear in this number on the Anglo-Japanese Alliance and the policy of the Empire in Egypt. It will explore and support every development of the Imperial Constitution along co-operative lines, for that is unquestionably the proper line of advance for the times.

But its promoters in this country feel bound to state that all the experience of the war and of the peace has not shaken in the least the fundamental conviction with which they commenced the publication of this Review. It is their faith that the continued unity of the British Commonwealth of Nations is necessary to the freedom of its peoples and to the progress of mankind. They believe that that Commonwealth—because it is the freest and most responsible Commonwealth in the world—arouses the hostility and jealousy of less advanced civilisations, and has the duty of helping to protect and educate in the arts of self-government those backward peoples who are not yet capable of standing alone. They do not believe because the German menace has vanished, that external dangers to the Empire have for ever gone; nor do they believe because gigantic strides are being taken towards self-government in India, Egypt and elsewhere, that the work which the British nations have to do for the peoples they control is already done, and that these nations can sit back and take their rest with folded hands. They have always believed, and they still believe, that sooner or later, after the equality of *status* of the Dominions had been fully recognised, necessity and not propaganda would force a conscious movement towards constitutional unity—other than that which the Crown itself gives—if the Empire was to endure, and if its peoples were to accomplish their task of supporting and encouraging the growth of freedom, peace, and progress in the world. The ROUND



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TABLE REVIEW has never expressed an opinion as to the form which this constitutional organisation would take, nor as to the time when it should be undertaken.\* But it has never disguised its conviction that a co-operative system, however successful and adequate it might be for a time, would eventually break down, and that the nations which composed it would then of their own free choice have to agree to some form of constitutional unity as the alternative to the dissolution of the Commonwealth, with the danger to themselves, and failure to accomplish their full task in the world, that such dissolution would involve. That conviction it still holds, and while in the meanwhile it will support the growth of Imperial co-operation, will encourage every movement which will consolidate the position of the Dominions as absolutely free and equal partners with Great Britain in power, privilege, and responsibility, and will endeavour always to expose and combat disruptive tendencies, it wishes none of its readers to be in ignorance of its convictions or to think that if and when events force a decision, it will not stand for constitutional unity as the alternative to disruption.

NOTE 1.—We wish to make it clear that nothing that is said in the above article binds any of the study groups in the Dominions which are associated with the ROUND TABLE movement, or applies to the contributions from the Dominions which appear in the ROUND TABLE REVIEW. Such groups are composed of people with different, often opposite, points of view, united only by their common interest in Imperial problems, and they are, of course, free to express any opinion that they think fit.

\*NOTE 2.—In order to obviate misunderstandings we further wish to state that the views expressed in *The Problem of the Commonwealth*, by Mr. Lionel Curtis, have never been adopted by THE ROUND TABLE. The views therein set forth are those of the author alone, as the following abstract from the preface will show.

“The shorter report (i.e. *The Problem of the Commonwealth*) is now given to the public on the sole responsibility of the writer himself, because no other way was apparent in which it could be submitted to their judgment. Throughout he has worked in the light cast by the many-sided criticisms of THE ROUND TABLE groups whose numerous members reflect every shade of opinion. Without these materials the report could never have been written in its present

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form ; but the writer himself has, of necessity, had to decide what to reject and what to accept. He has no authority for stating, therefore, that the report represents any opinion but his own. The best materials, indeed, have been furnished by colleagues who would hesitate to accept his conclusions as a whole or even in part. It is for that reason that he alone can make himself responsible for its issue to the public, who are invited to judge its conclusions purely in the light of the facts and reasons upon which they are based."



## THE PASSING OF WOODROW WILSON

ON November 2, by a convincing vote, the people of the United States repudiated Woodrow Wilson—his personality, his idealism, his administration, his conduct in and out of office, his Treaty of Versailles, and his League of Nations. The “great and solemn referendum” which he planned and promised has destroyed him. The prophet has been dishonoured by his own country. He has been swept by the tide of aversion down from the highest pinnacle ever momentarily attained by a statesman of modern times. The man whose pen splintered the swords of Prussia, the man before whose image the peasants of Italy burned candles, the man who gave form to the loftiest political ideal that ever captured the conscience of the world, is broken and beaten by the rods of his own people.

There is no need to dwell upon this personal tragedy. It is clear, it is complete—and it is as old as time.

It was roses, roses, all the way,  
With myrtle mixed in my path like mad ;  
The house-roofs seemed to heave and sway,  
The church-spires flamed, such flags they had,  
A year ago on this very day.

\* \* \*

There's nobody on the house-tops now—  
Just a palsied few at the windows set ;  
For the best of the sight is, all allow,  
At the Shambles' Gate—or, better yet,  
By the very scaffold's foot, I trow.

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I go in the rain, and, more than needs,  
A rope cuts both my wrists behind ;  
And I think, by the feel, my forehead bleeds,  
For they fling, whoever has a mind,  
Stones at me for my year's misdeeds.

There is no need to dwell upon his faults. They have been well advertised. Woodrow Wilson's egotism, his mistakes of judgment, and his stern inflexibility have been mouthed and magnified by spell-binders during the campaign, to the joy of crowds who would seem to have lost even their sense of sportsmanship. They have nodded their heads with approval at the cathedral judgments of Elihu Root ; they have laughed to see a sick man flayed by the lashings of Henry Cabot Lodge, and they have secretly snickered over the personal abuse flung at his head by Corinne Roosevelt Robinson and George Harvey. It has been a famous Roman holiday.

Nor can any present purpose be served by anticipating the judgments of history. Woodrow Wilson has been an austere First Citizen, but no more austere than Washington. He has been an obstinate executive, but no more obstinate than Lincoln. Like them, he has been reviled. Like them, he has been charged with treason in office. Like them, he has been a supremely lonely man. But if we would know whether history regards these likenesses as superficial or fundamental, we must ask our children's children.

### I.

THE guileless soul who believed that war would purge and peace would purify, still sits by the ashes of catastrophe, looking for the fabled Phoenix. To one whose wish fathered the thought that the United States would over-ride the experience of nature and achieve the moral leadership of the world by a gesture, the months of the



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past year have been filled with disappointment. He hoped that the obstinacy of the President and the fury of the Senate might result in a compromise. Instead it resulted in a deadlock. He hoped that the Republican Party might name a candidate worthy of their singular opportunity. Instead they nominated Harding. He looked to the Democratic Party to march through the door left wide open by the enemy; but they, in turn, with matchless perversity, made merry with the guileless soul, and nominated Cox. Little light on this hardest of all problems trickled through the summer months. So that the conscientious citizen, who regards the casting of his vote as a solemn privilege rather than a periodic nuisance, went to the polls on November 2 with the air of a convict forced to choose between the unpleasant alternatives of death by hanging and death by life imprisonment.

A dispassionate witness of the past campaign, relieved of the haunting obligation to choose between two second-rate candidates and two hollow platforms, must have found plenty of interest in the three months leading up to Election Day. According to the advertisement, the United States was the stage of an epic contest—lists drawn, issue joined, and the ultimate event. But any one whose sight was not blurred by the smoke which filtered round the ringside must have known that he was being badly hoaxed. For the pugilists never came within arm's length of one another; instead they remained at opposite sides of the ring, cavorting in approved style, but sparring with shadows.

There was an appropriate bluster about the business: Harding thumping his chest and condemning the Administration, root and branch; Cox thumping his chest and "boosting the League." But Cox made no reply to Harding's partisan attacks, and Harding evaded the League issue with all the grinning suavity of a clown dodging baseballs at a county fair. Naturally, it was Democratic strategy to throw the League up as a smoke-screen to confuse those voters who wished to make an intelligent

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assessment of the sins of the Administration ; while it was Republican policy to obscure the League issue by diverting attention to the shortcomings of Wilson and his group in office. Thus the mild-mannered Mr. Harding, in the interest of harmony within his own well-rifted ranks, avoided any rational discussion concerning the League of Nations, and merely slipped away from his front porch now and then to scuttle the ship of State or cut an official throat or two. Whereas Cox, in his strategic anxiety to carry the country into the League, completely ignored the charges of incompetence and misconduct levelled against the present Administration. In this spectacular exhibition of shadow-boxing the decision was won by Harding. The terms of the contest required a verdict, and it was given ; but the crowded house thought little of the performance, and wants its money back.

### II.

THE Republican plan of campaign was simple in conception and comparatively easy of execution. Their candidate should wage war from a reclining chair on the front porch of his spacious home. Senator Harding was not temperamentally disposed to object to this comfortable arrangement, so on the front porch he remained through the heat of the summer and the heat of the campaign. Occasionally his rest was broken by the arrival of a delegation of the faithful, led by a brass band, clad in fantastic uniforms, and shining with Republican zeal. Whereupon the candidate would rise and read from a manuscript which fairly glittered with generalities ; he would close with a nineteenth century apostrophe to the Star-Spangled Banner—and then profound handshaking all around.

Behind this bucolic scene Harding's managers worked feverishly, collecting contributions to the campaign fund, organising states, counties and cities against Election Day,



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and delivering bitter attacks on Wilson, Wilsonism and the Democratic Party. They raised sufficient money for their needs, they covered the country with a net which captured every possible Republican supporter, and they worked their will against the President. They attacked him with truth, they attacked him with lies, they attacked him with abuse, and they attacked him with blasphemy. No part of this programme was required for victory. The Republican Party could have won this election with folded hands and an enigmatic smile. Everything that went beyond the truth—the indisputable truth—of the failings of the President and his appointees was the work of a group whose hatred for the President knows no bounds of expression ; and they took their fill of satisfaction. Thus Henry Cabot Lodge again and again repeated the falsehood that Wilson would accept no reservations ; Corinne Roosevelt Robinson, in the first proud year of woman suffrage, publicly characterised her President as a “ lone hermaphrodite ” ; and George Harvey, through the medium of his “ weekly,” published a cartoon so blasphemous as to call down the condemnation of the church upon his head. These three prominent members of the Republican Party doubtless took pride in the smartness of their speech ; therefore let history take record of it.

Such was the character of the Republican offensive. Yet for all its violence and for all its vituperative quality, it was second to the defensive task—the task of maintaining peace within the ranks of the party. Out of the Chicago Convention had come a colourless platform and a negative candidate. The problem of the Republican managers was simply this : to keep the platform meaningless and the candidate mute. The election could be won by mere mass. But beneath the outward show of solidarity there was a rift which threatened to gape and split the mass asunder. Hiram Johnson and Borah had not recanted, nor had the friends of the League forgotten their faith. How to keep these warring elements composed beneath the

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surface of the party was the only question that really mattered. Thus to the supporters of the League, on August 28, Senator Harding said :—

“ If the League has been so intertwined and interwoven with the peace of Europe that its good must be preserved in order to stabilise the peace of the Continent, then it can be amended or revised.”

And to the League's enemies he said on October 7 :—

“ I do not want to clarify these obligations. I want to turn my back on them. It is not interpretation, but rejection, that I am seeking.”

The Senator has been charged by his traditional enemies, and by those erstwhile friends who forsook him to vote for Cox, with evasion and double-dealing. These are harsh judgments, and they are unfair. They imply a moral obliquity that never should be imputed to a man who believes that “ harmony is God's first law.” There were moments during the last anxious days of the campaign when things began to look dark for God's first law ; there were times when it seemed as if a break might possibly come. But Senator Harding is no amateur at the great American game, and his manager, Will Hays, is the embodiment of political astuteness. Together they held the frayed strands together, and the victory of November 2 must be credited to their skill.

### III.

**H**OMER CUMMINGS, then National Chairman of the Democratic Party, opened the San Francisco Convention in July with a fearless speech. He accepted the Republican challenge squarely on two points—the record of the Administration and the League. He claimed for his party credit for the successful conduct of the greatest enterprise in America's history—her contribution to the defeat of Germany. He dwelt upon the constructive



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legislation enacted under Democratic rule—the Federal Reserve Act, the Child Labor Law, the Seaman's Act, and the creation of a Federal Trade Commission. He defended the President's record with passionate loyalty, and he lifted the League issue out of the ruck of petty partisanship. Whereupon, for one reason or another, the retiring strings were pulled, and Homer Cummings disappeared from the political scene. His place was filled by a man of Cox's choosing.

For almost three critical months after this exchange of horses the Democratic Party floundered in mid-stream. They had no spirit, they had no organisation, they had no funds. They had nothing but a candidate with abundant physical energy. Unsupported and ill-advised, Governor Cox undertook a "whirlwind tour" of the West in an attempt to convince the electorate that vast sums of money had been accumulated for the purpose of putting the Republicans in the saddle. His trip was an utter failure; partly because he could not substantiate his wild assertions, but more especially because the majority of people whom he addressed were of the opinion that a change of administration would be a good thing, and were rather relieved to hear that funds were in hand to turn the trick. Silence upon the League, silence upon the achievements of the Democratic Party, and a great hullabaloo about "slush-funds"—these were high points in the "whirlwind tour." The liberal West expected from Cox a vivid forecast of his policy toward Labour, but he gave them a stone. Certain "wet" eastern states expected from Cox an intimation that he would lead them back to their liquor, but despatches from the coast destroyed the last glimmerings of hope for beer from Cox. From the standpoint of statesmanship, and from the lower level of political tactics, the "whirlwind tour" was replete with blunders. The Governor of Ohio might profitably have stayed at home and read Homer Cummings's speech.

It was not until October 7 that the sound Democratic

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offensive took shape ; and, oddly enough, it was Senator Harding who placed the weapons of attack in Cox's hands. For on that day, in Des Moines, Iowa—perhaps in response to pressure from the irreconcilable wing of his party—Harding for the tenth time took occasion to “re-state” his position on the Covenant of the League :—

“I do not want to clarify these obligations, I want to turn my back on them. It is not interpretation, but rejection, that I am seeking.”

The Democratic Press was quick to seize upon this exceptionally clear indication, and paralleled it against Governor Cox's statement at Tulsa, Oklahoma, on October 1 :—

“We will accept any reservation that helps to clarify. We will accept any reservation that helps to reassure. We will accept any reservation that helps to strengthen.”

For a moment it looked as though the League might actually become a campaign issue ; it looked as though a Republican victory would keep the country out, while a Democratic victory would take the country in. For perhaps a week there was a political flurry ; and during that week thousands of Harding's supporters moved over to Cox. But at this critical juncture in the fortunes of the party thirty-one prominent Republicans, led by Root, Taft and Hoover, came to the rescue of their chief. In a manifesto issued on October 14 they announced that they were satisfied by Senator Harding's speech of August 28, wherein he had promised to save “all that was good from the League Covenant.” They made no mention of the famous Des Moines dictum, but laid stress upon every utterance of Harding which held out hope for the League. According to their conception of loyalty to the country's highest interests, they could not repudiate their candidate, nor would they strengthen the Democratic position by declaring open warfare on the irreconcilables within their own house. However, they did refuse to recognise the waywardness of Harding, and made the record clear for



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the fight to come. Thanks to this conciliatory document, the flood of defections was measurably stopped. Cox lacked power to drive home the difference between the hostile groups, and the outwardly placid front of the Republican Party was preserved for victory.

Almost within the shadow of the election booth certain Democrats, reverting to the tactics of half a century ago, tried to save the day by circulating scurrilous rumours about Harding's ancestry. They lost by an overwhelming majority; and, more important still, they lost thereby all the credit which they had gained through their comparatively clean conduct of a bitter campaign. It is impossible to estimate how many voters quitted the party because of this last despicable tactic, but it is safe to assume that many a man suddenly revised his opinion of the Democratic Party as the repository of all the moral substance in the United States.

### IV.

WHAT Cox might have done as President, what manner of man he is, whom he might have selected as his advisers, what would have been the fate of the Treaty and the League under his direction—all these matters have passed into the realm of idle speculation. Of the unsuccessful candidate it is enough to say that he fought a losing fight with the vigour of Theodore Roosevelt, and that from small beginnings he grew measurably in stature from the day of his nomination until the day of his defeat. The next four years will see the Republican Party in power, a Republican majority in both branches of Congress, and Warren Gamaliel Harding in the White House.

Obviously Harding was elected because more voters in a substantial majority of states put a cross against his name than against the name of Governor Cox. Four

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years from now, according to the established ethics of party politics, Harding will be a candidate for re-election. It will be his chief effort, and that of the men about him, to see that the same substantial majority of voters again put their cross against his name. In 1924, as in 1920, the Republican Party can count upon a sizeable body of "regulars"—confirmed party men, who will vote the ticket regardless of candidate and regardless of platform. But Harding's re-election will rest on the knees of the independent voter, whose strength supported Wilson in 1916, and forsook Wilson in 1920. Therefore it is important to examine the motives which prompted the independent voter to support the Senator in this past election; for Harding's conduct in office will be guided by the human desire to retain this support. He will not be bound by his platform, for there is nothing in it to bind him. He will not be bound by his campaign pledges, for he asserts that he has made none. He will go into office with absolutely free hands.

On November 2 a majority of the people of the United States held one or more of the following beliefs strongly enough to throw their votes to the Republican candidate:—

1. That Woodrow Wilson needed a sound drubbing for his austerity, his obstinacy, his egotism, his lack of tact, and for his second-rate appointments to office.

2. That a "change of administration," merely for the sake of change, would benefit the country.

3. That the Democratic Party deserved to be turned out of office for eight years spent in wasting the nation's substance, raising the cost of living, increasing the tax rate, and encouraging restlessness among Labour.

4. That the Republican Party embraced better governing talent than the Democratic Party, and that Harding would make use of this talent to a reasonable degree.

5. That a Republican administration would deal firmly and in dignified fashion with labour questions, financial problems, and foreign affairs.



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6. That, with a Republican majority in both houses assured, the only way of securing harmonious action was by the election of a Republican President.

7. That Harding would exert his influence to keep the United States out of any association of nations whatsoever.

8. That Harding would take the lead in forming a new "association of nations" in which the sovereignty of the United States would not be impaired.

9. That Harding would accept the existing League with radical reservations with respect to Article X. and the Monroe Doctrine.

10. That Harding would urge ratification of the Treaty of Versailles in its entirety, with only such changes—perhaps the Lodge reservations—as might be needed to stamp it as an authentic Republican document, and not the doing of Woodrow Wilson.

Those who voted for Harding in 1920 in order to accomplish purely destructive ends have fulfilled their mission. A "sound drubbing" was administered to the President; a "change of administration" was effected; the Democratic Party will be ushered out of office, bag and baggage, on March 4, 1921, and the executive and legislative branches of the Government will be aligned under the same political colours. Harding has served the purpose of this group, and they have already become a floating body with destructive tendencies which four years from now may easily work the defeat of the man they helped to elect.

Other independent voters rallied around Harding because they believed that the Republican Party would approach the constructive tasks before the country with wisdom and ability. So far as domestic problems are concerned, the accomplishment of this hope—and the continued loyalty of these independent voters—rests upon the shoulders of Senator Harding and his appointees. Not a single intimation has been given to the public of the men whom Harding has in mind for office. Hopes run high, but it is a bad

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year for hopes. Therefore one can only inquire what part of the heaviest burden that has rested upon any President since Lincoln can be successfully carried by this newcomer from the Middle West.

No glowing promises have been held out by Harding himself. Indeed, he has more than once proclaimed his unfitness for the chief office in the land. Nor have his friends embarrassed him with rosy predictions. He is a modest, unassuming gentleman, they say. "Just folks." Nor has his legislative record been that of a constructive statesman. During his five years' tenure of office in the Senate he has stood sponsor for 134 Bills, of which but twelve were of a public nature. Of these twelve the ten most important bear the following titles :—

- To encourage the teaching of Spanish in the United States.
- To provide a memorial for persons who lost their lives in the war.
- To provide for a celebration of the Pilgrim Tercentenary.
- To authorise the loaning of tents to relieve the shortage of houses.
- To investigate influenza.
- To pay draft board clerks.
- To change the law as to fur-bearing animals in Alaska.
- To appoint an American Battlefield Commission.
- To amend the McKinley Memorial Birthplace Association Act.
- To grant discarded rifles to the Sons of Veterans Reserve.

Nor have his speeches during the campaign shown either the slightest apprehension of the nature and extent of the problems which stare the country in the face or the thinnest clue to their solution. In the course of his last campaign speech the Senator embraced all the economic worries of his people in a motherly paragraph :—

"We want to effect the industrial restoration of America. We want to stabilise America's finances. We want a free, righteous American business. We want to put an end to extravagance and theories. We want to make America normal and dependable again. These are the essentials to the continued progress of the American Republic."

Doubtless they are : but after this utterance the appoint-



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ments of the newly elected President have suddenly become a matter for prayer.

The tasks of reconstruction before the United States are different in character from those which confront the states of Europe. Nevertheless, they are of monumental magnitude. The shipping future of the country is still unsolved, and American trade hangs in the balance. Government ownership of railroads and mines is a possibility which cannot be obscured by the fact that, for the moment, these public utilities are in private hands. Labour is disgruntled, and growingly confident that it can get what it asks. Prices still float around artificial levels, in spite of drastic reductions in certain commodities. There is a sullenness in the air that is ominous. It is not the contention of the writer that the Democratic Party would have been better fitted to meet these matters than the Republicans. It is his affair merely to estimate what is likely to occur under the ministrations of Senator Harding.

The Senator is a man fifty-five years old, of mediocre ability, of limited vision, of no experience in large affairs, and of a reactionary turn of mind. He has apparently no grasp whatever of economic problems. He has shown no social sense except of a paternalistic kind. He has given no indication that he understands the infinite complexity of foreign affairs, or that he has any knowledge of the obscure sources of war. He is a kindly dignified gentleman "with a faculty of bringing men together." All the conservative influences in the country are put on horseback by his election, and he himself would have it so. He frankly admits that he has found in the life of William McKinley a model for his own political career. The Republican machine, still under the influence of McKinley and Mark Hanna, maintains its alliance with Wall Street and "big business." It is powerful, inflexible, and out of date. Whether it can conform to new methods of dealing with social problems remains to be seen; but if it stays rigid it will be split asunder.

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Senator Harding can meet his task only through the mediation of many and wise advisers. If he is courageous, he will surround himself with the fine talent which is the boast of the Republican Party. In that direction lies the only hope for the country—and the only hope for Harding in 1924. If the politician will turn statesman in the matter of his appointments, he will be not only courageous but wise, for by this statesmanlike gesture the politician can make his re-election sure.

### V.

THERE can be no discounting the masterly way in which Senator Harding, under guidance, held his party together through anxious days. He proved his ability as a politician, and on this score justified his selection as the Republican candidate. In a burst of confidence at Columbus, Ohio, he said: "I will let you into a secret, my countrymen. So far as I know, I was selected because of a belief among the generality of my party that I had a faculty for bringing men together." It does not matter much whether this belief was held by the little group in Colonel Harvey's room at the Blackstone Hotel who arranged his nomination or by the generality of his party who later accepted him. The fact remains that the belief was substantiated during the campaign. Any one who can persuade Hiram Johnson and Herbert Hoover to share the same bed possesses "a faculty for bringing men together." On Election Day, by the exercise of this valuable gift, he succeeded in bringing together in his support men who believed in *the* League, men who believed in *a* League, and men who believed in no League at all. This motley association of opposites was made possible by Harding's skilful refusal to take a definite stand on the League issue. The annihilation of Wilson and Wilsonism became the objective: and in this high enterprise men who held con-



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flicting views on the League were glad to sink their differences.

Nevertheless, the League issue will not be downed, and war is in the air. It is a war from which Harding shrinks, partly because, whatever its outcome, he will lose numerous supporters, but more especially because he abhors a political quarrel as Wilson abhorred the thought of blood. The *New York Times* tells it all in a brief vignette from St. Louis :

"I will never submit the Covenant before the United States Senate with Article X. in it. Article X. is the heart of the League. Yes, the steel heart of the League." The crowd jumped to its feet cheering, but when quiet was restored a volley of questions came from the galleries. "Let's be homey," the Senator said.

Unfortunately for the Senator's peace of mind, there is one man in the United States who is congenitally incapable of being "homey." During the campaign Hiram Johnson kept his own counsel, contenting himself with a periodic restatement of his position or with an occasional mild effort to bring Senator Harding into line with it. But to his friends he has intimated that, with the Election a thing of the past, he will "turn Indian." In this feud he knows that he can count upon the staunch support of the irreconcilable group of senators who brought about the defeat of the Treaty last March. On the other hand, thirty-one men prominent in the Republican Party have taken their stand for the League. They have publicly gone on record in its favour. And a vast body of voters who believe in the League have assigned their faith to the Thirty-One. Whatever may be the personal disinclinations of these men to wage war with Johnson and his "gang," they cannot betray their trust. Between two hostile divisions, who are even now preparing for action, stands Senator Harding, caught in No-Man's Land. It is hard to be "homey."

Here, at last, within the lines of the Republican Party, the League issue will be fought out. Even before the polls

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were opened on Election Day, Republican leaders, with the immediate victory in hand, were aligning themselves for the fresh struggle. In order to forestall the expected statement from the Johnson group that a Republican victory meant the death of the League, ex-President Taft said, on October 30 :—

It is unfair for Mr. Cox to seek to avoid the issues presented by a review of the Wilson Administration by pushing the League issue to the front, as if it were to be decided in this campaign. He is thus furnishing a plausible but unjust ground to the enemies of any league at all for claiming that the great Republican victory which is to be registered on Tuesday next will be a condemnation of the League, with or without reservations, when, in fact, it will be nothing of the sort.

The Republican victory means a disapproval of the Wilson Administration and a desire to transfer power to the Republican Party—that is all it means.

On the same evening Governor Coolidge, the Republican candidate for Vice-President, said :—

The great issue in this campaign is the record of the present Administration. During its term of office it can point to the achievement by the nation of one great work—the winning of the war. But that has been done. The nation must now turn to something else. For reconstruction at home, for powerful and friendly relations abroad, it offers no promise.

And on the following morning the New York *Tribune*, a staunch Republican paper, carried an editorial, of which the following is a part :

There is no need of rehearsing extravagant arguments put forward in an effort to prove that the only way to get a League of Nations was to vote for James M. Cox. The whole record of the Republican Party for a generation, the opinions of all its great leaders of to-day, are for a league. So is its platform. So are its candidates for President and Vice-President. The final structure may have the Wilson League as a foundation, or it may not. But that it will be built and be built with the entire wisdom and will of the American people assisting, is not open to question by any one not afraid of his shadow. So vanishes one more election bogey into the dusk of memory.



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For those who hope for America's participation in the League, the *Tribune* editorial is the late but comforting announcement of a truth which has been obvious from the outset to anyone who has followed the progress of the campaign. If any aspect of the issue emerged through the *miasma* of the past four months, it is the old story of the irreconcilable President and the irreconcilable senators. Harding has never committed himself to Johnson's attitude; but there is a growing feeling throughout the country that he shares Johnson's views. Cox probably does not share Wilson's opinion with regard to reservations; but there is a common belief that the President kept him firmly in hand during the campaign. If there was any contest on the League it was between these two extreme wings of the country's opinion, working under new and nominal leaders. In such a contest the people of the United States have lost all interest. They have completely passed into an attitude of compromise.

The principle of the League of Nations still holds a fast grip on the majority of Americans. That majority will range itself behind whatever leadership may be offered them by the distinguished Thirty-One. Without that leadership, the voice of the majority will not be heard, and the League will die the death laid out for it by Hiram Johnson and his clan.

### VI.

NOVEMBER 2, 1920, marked the passing of Woodrow Wilson from the active political life of the United States. On March 4 of next year he will leave the White House, and all the mystery and moment with which he has hedged it about will disappear. Its gates will stand open again; and speculators are already buying property in Washington in the belief that the City of Magnificent Distances will once more become the social centre of

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America under the courtly and benevolent direction of President Harding and his wife.

"Government is a very simple thing, after all," Harding has said. But on the day when the Senator becomes President, above the tumult and the shouting on Capitol Hill, a small, unattended group will leave the White House. In their midst will be carried a man with snow-white hair, bowed back, distorted features and emaciated frame—a man with body broken and heart broken in the service of a great ideal—a man who knows that Government is not a simple thing after all.

America. November 3, 1920.



## EGYPT A NATION

WE hope we are within sight of a settlement of the much vexed Egyptian Question. Agreement on major points has been arrived at between the Milner Commission and Saad Pasha Zaghlul's Delegation, but the terms of that agreement, as published in the *Times* of November 6, have yet to be submitted to an Egyptian National Assembly, and discussed further by our own Cabinet. What these two bodies may severally and jointly agree to will have to be embodied in a substantive treaty to be submitted again for consideration and ratification by the legislatures of both parties. The matter is, therefore, still in an inchoate and probably delicate stage.

The story of Great Britain and Egypt is a long one, containing chapters for which we are open to criticism among more that are creditable to us. Old men still live who can just remember a time when Egypt was not regarded as involving vital British interests at all. Though Napoleon disturbed the eighteenth century indifference, which had seen nothing in Egypt but a Levantine dead-end of less commercial and political importance than Aleppo, the failure of his purpose then (whatever it may really have been) kept the British public from taking any more serious interest in that country after he left it than before he landed. During the next forty years the rivalry of Powers in the Levant was influenced by desire to control the Mediterranean and Constantinople rather than Egypt. Though the overland route to India had been opened,

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Great Britain was content to treat Mehemet Ali as little better than negligible even so late as 1840, and to leave him to make what he could out of his one friend, France. Kinglake's prophecy in 1844 that "the Englishman, straining far over to hold his loved India, will plant a firm foot on the banks of the Nile," was without honour then in his own country. It was not till the late fifties that, with the development of a serious French project for cutting the Suez isthmus, Egypt became prominent in British politics. It is well known how we threw cold water on that project, hoping to avoid, or at least postpone, the creation of a new question affecting the life of our Empire ; but how, nevertheless, the project was carried through. Even when the canal was an accomplished fact, its importance was constantly depreciated in England ; and men not so very old to-day may recall the incredulous surprise with which Disraeli's action in buying up the Khedive's interest in the new waterway was generally received by Britons. Awakened only a little earlier himself, he had to call his nation out of sleep.

Though roused at that time, we were very far from taking—throughout the negotiations and activities which led first to the establishment of the Anglo-French Condominium in 1879, on the removal of Ismail, and finally to British occupation in 1882—the view of the importance of Egypt which has obtained later. Public opinion was slow to recognise in that country the key position of the Near and Middle East—this was still found at Constantinople—and slower to foresee it as the ganglion of our Empire in the Old World, and a principal supplier of raw material for our industry. The importance of the Suez Canal as a link in a peace route to the Indies, and of Egypt as its warden, was acknowledged ; but it was held improbable that, in time of war, a passage, which could be closed by the scuttling of a single dredger, would matter much to one side or the other. We occupied in 1882 primarily in the interest of bondholders, whose investments in Egypt had



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been the motive cause of our gradually increasing concern with it since 1860 ; and our purpose, both avowed and unavowed, was limited to restoring such a measure of peace and order as would enable the Egyptians to meet their foreign obligations. It should be observed that there was then no idea of our occupation leading to Egyptian self-government, or of our representatives in the country educating its people towards this end. Though Gladstone had stirred much anti-Turk feeling in Great Britain, and we had undertaken, in the Berlin Treaty, a leading part in the tutelage of Turkey, the "Peace with Honour" settlement had appeased general bitterness, and the public returned to its old fear of Russia and its traditional support of the Sultan. Even under a Gladstonian Ministry Egypt was occupied with no more intention of flouting Turkey than flouting France ; and the Egyptians, who were well aware of the trend of our European policy and of the constitutional reluctance of our Prime Minister to encourage imperial expansion, believed our promise to withdraw from an emergency occupation to be as sincere as in fact it was.

Two or three years passed in the not difficult task of restoring order to a people whose passions had not been deeply stirred, and in the more arduous one of readjusting its fiscal condition. Then, all unexpected, the Sudanese provinces blazed up on the defeat of Hicks's unhappy punitive expedition. With Egyptian soldiers, officials, and merchants cut off, there could be no question of evacuation till the rebellious provinces were re-knit to the Khedivate. So opportune did this rising seem to some, who imputed to us ulterior designs upon Egypt, that, while admitting it constituted sufficient cause for our occupation being prolonged, they declared we had fomented it ! There may still be some in France and elsewhere who believe that the Mahdi and the Khalifa were paid agents of ours, and the tragedy of Gordon was callously contrived in Downing Street. Needless to say we had

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blundered into the Sudan trouble as imperial nations dealing with peoples they have not yet learned to know have often blundered before and since. Having begun badly, we went on worse, and the result was a critical situation on all borders of Upper Egypt, which would not be relieved for more than a dozen years. In that lapse of time our relation to the Egyptians gradually changed its character, and so, also, did our relations to the foreign Powers chiefly concerned; and though, in 1887, we renewed to the Sultan our pledge to withdraw, its fulfilment appeared to our eyes a very different proposition, when, by the end of the century, the Sudanese question came to be solved. To take first the two chiefly interested foreign Powers, Turkey and France. It is well known that in the 'eighties, as promised reforms failed to be realised in the Ottoman Empire and Abdul Hamid developed his Asian pan-Islamic policy, the British public and its political leaders manifested increasing disfavour towards Turkey. It was not only Gladstone, the coiner of the "Great Assassin" epithet, but Salisbury, who would declare that we had "backed the wrong horse." By the nineties the "Unspeakable Turk" was a by-word, and it only needed the Armenian Atrocities of 1894-95 to confirm in British minds the principle that, wherever the foot of a Turk had been withdrawn, he should never be suffered to plant it again. We had got him out of Egypt, and refused to let him return, when he proposed himself to deal with the Mahdist trouble. Inconceivable, therefore, now to hand back Egypt!

As for France, the 'nineties were the "Pin-prick" period—a time of ever-growing mutual irritation whose cause was Egypt itself. France showed resentment at our continued occupation of a Levantine Coast where her influence had once been paramount, not only by repeated criticism of our intentions and our action, but by enjoining on her representatives in the country an attitude which was all but inconsistent with international comity of any



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kind. The British public replied with equal resentment at what it considered an unreasonable refusal to recognise the impossibility of withdrawal, and an ungenerous failure to acknowledge the great work we were doing for the Egyptian people. It hardly needed the Fashoda incident of 1899 to make John Bull vow he would not be hustled out of Egypt whatever he might have said, or anyone else might say. He himself had been growing of late more imperially minded. The interval between Queen Victoria's Jubilee in 1887 and the outbreak of the Boer War in 1899 was marked by an access of that spirit. We talked of "splendid isolation," and of letting all who would, "come on." A desire for closer relations with the Dominions, and first suspicions of sedition in India, impelled us to strengthen our grip on communications by sea. We took to thinking twice, then thrice, about evacuating the banks of the Suez Canal—then to refusing to think about it at all.

In Egypt itself that happened during this lapse of twelve years which always happens when the control of an undeveloped country by a people of high organising capacity is prolonged. We had found ourselves, on entry, committed to a *politique de replâtrage*. A land all but bankrupt, without any decent irrigation system, whose ineffective services, military and civil, were wholly unable to deal with domestic chaos, let alone the mess in the Sudan—this land had to be shored and patched at every point to prevent complete collapse. The best of our race were called to the work. It grew under their hands, and every day our administrators learned how much more might be done. Insensibly, a complicated European system of government came into being. Egyptians showed themselves quick and apt pupils under the orders of British chiefs, though not fit to direct the machinery. One day they might be fit; and was it not our duty to stay till the best of possible governments could be resigned to native hands? From about 1885 onwards, in reports from Egypt and in

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public and private utterances at home, one notes the idea of our occupation as a mere means for restoring order beginning to pass into an idea that we were there to develop the country and its people towards self-government on British lines.

Fired with the ideal of making—in Ismail's phrase—a piece of Africa into a piece of Europe, the first generation of our administrators laid out large plans and dug foundations wide and deep. Measures for attaining the very best began to be mooted, which presupposed large expenditure over long periods, and such political stability as only an established system of European government could guarantee. Such a measure, for example, was the damming of the Nile. It was not then held axiomatic that, if a western occupation of an eastern land is ever to be brought naturally and easily to a close, not the absolutely best possible system of administration should be aimed at, but the best which Orientals have the capacity to handle by themselves. Still less was it held that second-rate government by natives is better for any land in the long run than first-rate government by aliens—for the simple reason that with the former alone will the people ever identify itself. Having no such views as these, being without ulterior imperialist designs and only concerned to do what was to their hand in the best possible way, our administrators went ahead with the Europeanisation of Egypt.

They were to meet discouragement before they had gone very far. Egyptian Ministers in blinkers and civil servants in leading strings not only failed to train on according to plan, but grew increasingly fractious. To be sure, the old governing caste—the so-called Pasha class—had not shown a better than non-committal attitude towards the British occupation at any period since about 1884. Now, after the death of the Khedive Tewfik and the accession of Abbas Hilmi in 1892, their spirit developed positive obstruction and nascent nationalism. While the masses—*fellabin*, small



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*effendis*, traders and the like—felt no discontent, and were still openly grateful for the security of life and property, the ready access to justice, the reduced taxation, the better assurance of water, and the amelioration of military service, which had followed our advent, the leaders of the people seasoned appreciation with reminders of our promises. They had enjoyed self-government under their own prince before we came, and could govern themselves better now—as well, in fact, as they wished to be governed. Having learned a little, they believed, with the Oriental's habitual pride of pure intelligence, that they had less to learn. They wanted all the spoils of place for themselves; and, being men of the Hot Belt, did not wish to live longer than they could help in a western atmosphere of little leisure, rigid system, exacting punctuality and unremitting call on energies of body and mind. What, then, were we going to do about it?

Their questions struck Britons, who had laboured long in exile to make the administrative machine work, and felt in honour bound to perfect it, as unreasonable and unfair. How could they leave their life's work at this stage? How, indeed, at any stage short of completion? Few asked themselves whether the consummation of such efforts as theirs could ever be left to Egyptians to handle, and none but Lord Cromer—and not he till 1907, when he had left Egypt—formulated the conclusion that self-government by Egyptians, as we understand government, was inconceivable. But once this had been said, it was felt to be the expression of the idea on which really we had been acting in Egypt for years. With Turkey no longer to be taken into account, and France squared by the African Agreement of 1904, we had already passed half-consciously from an ideal of educating Egypt in self-government to an ideal of developing the country to its highest economic capacity, and ourselves maintaining it at that point for its own good and the peace of the world.

There had been already enough evidence, however, that,

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whatever the change in our own minds, such change as had taken place in the mind of the Egyptian was leading him on quite another path. The native press agitation in the early years of the present century, and the formation of Mustapha Kamel's Nationalist Party were only less significant than an outburst of sympathy with Ottoman claims, which followed the "Tabah Incident" of 1906. Clearly a new generation had arisen which knew not the Turk of old time. On the top of this fell the unhappy Denshawai incident. To meet an acute situation Sir Eldon Gorst was instructed to institute devolution of administrative control to native hands, and, at the same time, to assure the Egyptians that the British occupation should never be developed into a Protectorate. By implication that occupation was to be prolonged *sine die*. Devolution was begun straight away. We showed ourselves as good as our word at no small cost of disappointment, discontent, and discouragement of our own officials.

But whatever compensation we had hoped from better relations with the Egyptians and from discredit of the Nationalist Party, which lost its leader, Mustapha Kamel, in 1908, was virtually frustrated by an impulse given to renewed agitation by events of that year and the next in Constantinople. However correctly the Young Turks discouraged Egyptian Nationalists, the spectacle of apparent freedom in Turkey could not but encourage fresh efforts towards freedom in Egypt : and the Khedive, in particular, recognised an object lesson in the expediency of even an eastern monarch identifying himself with the aspirations of his people. For an outward and visible sign that Egyptian Nationalism had not died with Mustapha Kamel, the anti-Nationalist Copt, Boutros Pasha, who had assumed the titular leadership of the Government in 1908, was sacrificed in 1910 ; and the public openly sympathised with his assassin.

A year later Lord Kitchener came to Egypt. Concession had failed, and devolution had proved not worth the



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troubles it involved. A firm, though not unkindly, hand was laid on a Khedive who would be King, and on the Egyptians who would be a Nation. The Cairo Residency became manifestly what it had long been unobtrusively, the real centre of control: and in an atmosphere of benevolent autocracy the last memories of our pledge of thirty years before, and our successive ideals of the 'eighties and 'nineties, withered and died. Losing its idealism, our administration, it must be confessed, lost also some—it is a moot point how much—of its efficiency. The Egyptian *Intelligenza* had been saying for some time back that the British officials were not the men of Cromer's day. The criticism was not unfounded. Our administrators were perhaps not less able, and no less public-spirited than of old: but undoubtedly they had less heart in their work and less sympathy with the people. It is one thing to make an administration, another to carry on what others have made: one thing to be the earthly providence, the one arbiter of a willing people, another to play second fiddle to a Pasha, and read daily in the native Press that the country would get on better without you. What had been a field for apostolic devotion became one for an administrative career. The Egyptian people noted the change, and, while retaining unbounded respect for the Great Pasha at the Residency, looked on his subordinates as dominions to be hoodwinked and evaded. Corruption, though, of course, it never extended to the British officials, was nearly as popular as in the bad old days, and the machine of Government ran with all the oilier smoothness for not doing full work.

At the outbreak of war in 1914 there was a great peace in Egypt, but peace under pressure. Below the surface a nation had been born by the only process which brings nations to first birth, that is by the general diffusion of a common idea of nationality among a people. The idea was at best dimly understood, more often adopted without understanding; but it was there. The mood of the

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country was such that the least lightening of pressure would be followed by ebullition ; and in the embarrassing months of that autumn our representatives in Egypt had ample reason to know that the temper of the people, among whom they had to keep up appearances, was highly unstable. At the end of October the Ottoman Power joined our enemies. Paradoxical as it may appear, our situation in Egypt improved at once, and from that moment till July four years later relations with the Egyptians were always outwardly better than they had been during the opening months of the war. There were various causes contributing to this apparent improvement : a succession of high Niles ; immense opportunities for making money out of our armies which suddenly presented themselves ; the unconscious respect which an Eastern people pays to a great pageant of military force. But the root cause was the happy conviction of all Nationalists that, with Turkey committed to the Central European Powers, the war must come to Egypt and liberate it without they themselves having to bear the brunt of the battle. In the interval, they could unbend the bow, conciliate the power that was but would cease so soon to be, and spoil it for all it was worth. For two years and a half nothing ruffled this equanimity—not the Protectorate which we announced provisionally, promising reconsideration after peace ; for what would either announcement or promise matter when Turks and Germans came over the Canal ? Not even the repulse of Jemal's two expeditions and the defeat of the Senussi ; far greater things would come. The Central Powers were going from strength to strength, and Kut trod hard on Gallipoli.

A first sign of despondency was observed in Egypt on the capture of Baghdad ; but Murray's failures before Gaza redressed the balance of fate. The second sign followed Allenby's capture of Jerusalem ; but the great German thrust in the following March revived Egyptian spirits. When, however, as summer wore on, it grew clear that the



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Central Powers had shot their bolt and ultimate victory would not be with them, the Nationalists woke in earnest. The reorganisation of their forces dates from July, 1918, and our terrific victories in the Eastern theatres of war, during the following autumn, only stiffened their backs. Mutual relations became again as tense as in 1914. For the first time since that date the Protectorate was taken seriously; for the first time we were reminded of our promises and asked what we proposed to do; for the first time, publicly, armed revolt was preached, and Abbas Hilmi called to return and deliver his throne. Given the intention to excite revolt, leaders could find recent popular griefs on which to work. There were both general soreness about the long use of the country under martial law as a base for operations against Moslem liberators and general disappointment at their failure. In the warlike atmosphere of the last four years Egypt had come to be treated as a subject land, and the foreign force as a whole, and some of its overseas elements in particular, knowing nothing about fine distinctions between Occupation, Protectorate, or Imperial Possession, had not been considerate of native feeling. There was discontent about the original recruitment of *fellahin* for the Labour Corps, their long service in a colder, wetter climate, and some injustices they had suffered here and there at the hands of Levantine gangers; but, in fact, less than has been alleged, for this service proved profitable and was cheerfully performed by the majority. There was some resentment, too, at an impolitic collection for the Red Cross; but this affected comparatively few. None of these griefs, nor all together, would have been sufficient to provoke an outbreak. They only added heat to a fire which had long been burning but banked down.

The explosion in March, 1919, touched off prematurely by hotheads before demobilisation had begun to affect our military strength, lighted a conflagration which was got under with comparative ease. But its moral effect was

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much greater than its material. The width of its range, the hardihood with which fighters for independence confronted hopeless odds, the bitter temper displayed in the unpleasant and sometimes ghastly incidents of the revolt, conveyed an unmistakable lesson. The reality and the deep and wide penetration of Egyptian Nationalism could no longer be denied ; nor could its heartfelt repudiation of our tutelage. The amicable relation in which, whether under the influence of an educative ideal or during our paternal autocracy, we had believed ourselves to stand with the bulk of Egyptians, was demonstrated an illusion. Those among our officials in the country who had retained philanthropic ideals knew that the foundations of their faith were gone. What we had thought we held by consent, we knew we kept by force. Now and for the future, if we proposed to maintain our Protectorate, we were faced with the inevitable necessity of holding Egypt down, and that at a moment when all the world knew we had lately championed the rights of small nations, and the claims of self-determination, and had subscribed to a clause in the first draft of the League of Nations Covenant, which accepted among the peoples recently liberated from the Ottoman yoke some so far advanced in social development as to be fit for provisional recognition as independent nations. Which of these peoples had advanced so far as the Egyptian ?

Between giving some real effect to that clause, or maintaining, in defiance of it, a Protectorate by military force lay our choice of purpose. The first of these ways prevailed with Lord Milner and his Commission landed in Egypt proposing to inquire how far it might be possible for responsible self-government to be established without the country becoming, through its singular geographical situation, a danger to the unity of our Empire. The guiding principle was that, while we might be quite willing to leave Egypt to the Egyptians, provided we retained control of our Imperial communications, we should not be willing to leave it open to anyone else than the Egyptians. It is the



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fruit of those inquiries and of subsequent discussion in London that is set forth in the *Times* of the 6th November.

The terms upon which it is proposed that we should enter into Treaty relations with Egypt have been set forth so recently that we will not recapitulate them, but confine ourselves to remarks on their spirit and their salient points. The spirit is generous on both sides. The Egyptian Delegation has shown very frank recognition not only of the imperial necessities of Great Britain, but also of the claim she has established, by forty years of work for Egypt, to be the latter's predominant friend in the future and undertake all such guidance as may still be necessary. The British Commission, for its part, has proposed a policy very much more liberal than any imperial people has ever shown towards a dependency, except under a degree of stress which has not nearly been attained in this case. If the eventual Treaty is concluded on anything like the lines of this Agreement, and if each of the parties to it plays his part as he should, it may well be said of Great Britain that nothing in all the long and creditable story of her occupation of Egypt has become her like the ending of it.

The preamble provides for the independence of Egypt, and a later clause states that it is to be a Constitutional Monarchy with representative institutions, secured by Treaty with Great Britain. There is a subsequent stipulation that Egypt is to enjoy the right to representation abroad, which she will undertake not to exercise except in strict conformity with the interests and the policy of Great Britain. Such independence cannot but entail the entire devolution of all internal administration to native hands, and this is certainly implied in all the text of the Agreement, which provides for the framing by the Egyptian Constituent Assembly of an organic statute to regulate the future government.

We approve, and have always approved, the institution of responsible self-government in every country which has arrived at a common national consciousness and developed

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common patriotic spirit in a sufficient number of its citizens possessing such education and experience as qualify them to assume its administration. It is the opinion of the Commission that the position is such as to justify the establishment of responsible government in Egypt; and we would welcome a generous measure; but at the same time it remains to be seen whether an electorate competent to form the basis of genuine responsible government can be developed. Mandarin government will not endure. We cannot, moreover, blind ourselves to the probability that, for some time to come, at any rate, its internal government will be distinctly less efficient than it has been, even allowing for the considerable defects of the latter years of our own control. It may also be distinctly less favourable to the poorer classes, especially to the Christians. Both Moslem and Coptic *fellahin*, who have long memories, are beginning to show some apprehension already; and, of course, it will not absolve our responsibility for the condition to which our action now may resign them, that they have done a good deal during the past two years to bring their fate on themselves. But we hold by the principle already stated that second-rate government by natives is better in the long run for any people than first-rate government by aliens; and though we should prefer a more gradual devolution of administration to native hands, we confess that, if our historical survey of Great Britain's relations to the Egyptians conveys any lesson, it warns us not to expect their implicit confidence now, if we proposed to defer our withdrawal and postpone the full realisation of what we now state to be our policy in regard to the ultimate *status* of Egypt. An independent constitutional monarchy, over whose local government foreign officials, not responsible to it, exercised any measure of control, would not differ essentially from a foreign protectorate. Things seem to have gone too far both in Egypt and in London for it to be for us either fair to propose or reasonable to expect the other party to accept a



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transitional stage, if a Treaty is to be concluded on a basis of independence at all. We do not suppose for a moment that the *fellahin* will ever again suffer anything like what they suffered before 1882. They have become much more substantial and also much more understanding people; they know now that they have natural rights, and have more than an inkling of the way to get these respected. The old Pasha class, which used to oppress them, is no more; and, although a native aristocracy of wealth—often inordinate wealth—has come into being, general education, foreign experience, international relations and competition have come into the country also, and will go far to check serious abuses of the local power which the rich will exercise. If we leave Egyptian society now to work out its own salvation, we may hope that the process will not prove too long or too hard.

If, however, unfettered internal control seems to us an essential to the realisation of the fundamental idea in the preamble of the proposed Agreement, we are not convinced of the necessity—still less the expediency—of the stipulation that Egypt shall enjoy the right to deal directly with foreign countries other than our own. She could enjoy sovereign independence without the right to control her own foreign policy and appoint diplomatic representatives to foreign countries. This right has not been, and is not, considered an indispensable condition of sovereignty. Witness Afghanistan, whose sovereign independence no one questions, although it is debarred by treaty from approaching foreign powers except through the mediation of the Government of India. If this right is conceded to Egypt, while at the same time the British Government is empowered to veto its exercise, it appears to us a certain storm breeder. Obviously, it will be not only Egyptian interests which such exercise of our veto will affect, but those of the other party—this or that European Power—to each abortive Treaty. So serious would the situation probably be on occasion that, inevitably, our veto would

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often, perhaps in the end almost always, have to be withdrawn, leaving us in a peculiarly ignominious position after exciting bad blood all round. Alternatively, it may be Egypt who will be humiliated by this or that Power ignoring her representative and going over his head to the holder of the ultimate discretion. It is the very check we seek to impose on this Egyptian right which makes it so pregnant of inconvenience, to use no stronger word. But, with or without that check, it spells trouble. \* We may not wish to occupy Egypt any more than Afghanistan ; but (we say it again) we want no one else to occupy it ; and what readier channel for possible invitation to foreign Powers by malcontent parties in Egypt could be provided than its direct representatives abroad ?

Various provisions, of which we entirely approve, are proposed for the safeguarding of legitimate foreign interests, which either exist or will come into existence, in Egypt ; and the (presumably) British officials who are to look after the administration of the laws in regard to these, including financial obligations to foreign countries, would not sensibly derogate from local sovereignty even if they were not (as it is proposed they shall be) actually appointed by Egypt herself, and therefore responsible primarily to her Government. The capitulations as such are to be abolished so soon as the necessary consents have been obtained. We hold no brief for them. They are a survival of the Middle Ages and have no adequate justification in a country which does not live under Moslem religious law. They discredit government wherever they are in force, and deprive it of legitimate resources ; and if they have protected foreign nationals from much injustice, more perhaps—especially in Egypt—has been done under their wing. Let them go—a good riddance ! But since, beside their negative effects, they did secure positive guarantees of social order and advantages to the economic development of the countries in which they existed, we note with satisfaction that some sort of reduced composition of their powers is to replace



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the several treaties, and be committed to the single control and exercise of Great Britain.

The provision for the safeguarding of our own Imperial Communications is stated in very general terms, and apparently admits of our holding strategic points beside those in a Canal zone. If the principle is secured, and Egypt recognises frankly that these garrisons in no way derogate from her independence, the details should easily be arranged.

We are not blind to other inconveniences, even dangers, to which we shall expose ourselves by taking the great step of converting Egypt from a protected Dependency into an independent Ally. The most obvious of these is that our action will be quoted to justify demands by other dependencies to be treated as equally favoured nations. We are unlikely to escape such demands; but we can always reply that Egypt supplies no valid precedent to any other land under our rule. There we have to deal with one nation, which has a common language and racial character, one tradition, and one hope, and, except for a small minority, one faith. We have never exercised sovereignty over it, nor even been technically responsible for its government. It has been autonomous by recognised right for the best part of a century, and without recognised right for an even longer period. Till lately part of another Empire, Egypt has vested in herself various foreign interests, of which our own are only the chief. Which of our imperial possessions can plead that it satisfies all, or any two of these conditions? Certainly not India, which has a population twenty times as great, divided into as many races, languages and religions as Europe. Still less could any other part of our Empire outside the Dominions. Such an answer may not satisfy nationalists elsewhere, but it is a sufficient one. In any case we do not hesitate to take the risk of having to make it.

In conclusion, we accept the general spirit of the proposals, and we recognise that, though neither the Commis-

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sion nor the Egyptian Delegation is plenipotentiary—there is already talk in the Press of reservations by the Delegation—we are, generally speaking, committed to going through with the proposals of a commission presided over by Lord Milner. At the same time, this is only the first stage, and it is of no use to slur over the real difficulties. That would simply result in their coming up again in an aggravated form later on. For we are now entering upon the second and more difficult stage of applying abstract principles in a practical agreement. Behind all the phraseology of which the summary in the *Times* was composed, the main principle of settlement is clear. Egypt is to be allowed by Great Britain to run her own government practically without interference. If complications with foreign powers, however, should compel intervention, the intervening Power must be Great Britain and no one else, and the alliance must be such as to make this perfectly clear.

The spirit of the Milner memorandum, however, is such that there should be no difficulty in arriving at an agreement which would work well and benefit both parties. But if reactionaries in Great Britain or extremists in Egypt are sufficiently unreasonable to stand out on practical points as if they were matters of high principle, the negotiations are bound to break down. It is idle to blind ourselves to the fact that there are many such points, and that they involve questions of the utmost difficulty which have still to be settled.



## THE INTERNATIONAL FINANCIAL CONFERENCE AT BRUSSELS AND ITS LESSONS

AT the end of this article will be found the main resolutions \* passed—and unanimously passed—by the recent International Financial Conference at Brussels which was summoned by the League of Nations, as well as an address on Public Finance made to the Conference by Mr. Brand, one of the Vice-Presidents of the Conference. These documents have been published in *THE ROUND TABLE*, because nothing is more important to our own country as well as to others than that the public should understand the true character of the economic and financial difficulties which face every European country, and the only means of remedying them. Such an understanding—it would seem from many indications—is not possessed either by the great mass of the people or by the leaders of the Labour Party, or indeed, it may be thought, particularly after the recent astonishing letter from Capt. Guest, the chief whip of the Coalition, by some at least of the members of the Government itself. This is not to be wondered at. The economic and financial history of

\* The Resolutions printed are those proposed to the Conference by the Commissions on Public Finance and on Currency and Exchange. The full Report of the Conference with these Resolutions together with those by the Commissions on International Trade and International Credits has now been published by the League of Nations in pamphlet form, and a similar pamphlet is shortly to be issued containing the introductory speeches of the four Vice-Presidents. The verbatim report of the Conference will be published later.

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the war has been of such a character as to mislead all but those who have grasped and held fast to certain fundamental economic truths. The great mass of the people in particular are not to blame. They have seen money poured out like water for four or five years ; the purses of the governments seemed for the purposes of the war absolutely bottomless. It was natural to conclude that there existed and still exists somewhere within the community an inexhaustible reservoir of wealth, or one at least copious enough to secure a fair standard of living for every class. They were not able to see that all this outpouring of our substance on the war was accompanied by a constant deterioration of our economic situation, by a vast loss of national capital, and by the creation of a huge load of debt, internal and external—in fact, that we were like a spendthrift, living more or less at our ease by wasting our capital. And, when the war was over, in many facile speeches, our politicians promised the people a land fit for heroes, a new way of life, a higher standard of living—promises which, since they were not likely to have been deliberately misleading, must have been the outcome of ignorance, and which with the best will in the world neither they nor any other human being can possibly fulfil, at least until after, not months, but years of effort and sacrifice, labour and saving the whole community has first climbed arduously back to the level of prosperity and wealth which it had reached in 1914. Fortifying the conclusions as to our wealth, to which the experience of the war had erroneously led them, by the magnificent pictures of the good time coming, in which Mr. Lloyd George's imagination in particular led him to indulge, the great mass of the people have naturally become convinced that the wealth they desire in order to maintain and improve their standard of living is still somewhere within the community if they can only get hold of it.

In reporting a few days ago the proceedings of the International Financial Conference to his paper, a British



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journalist wrote that some remarks had been made by some members which might be interpreted to mean that in their view not even the standard of living of 1914 could now be maintained. He added that Labour everywhere would take this as a direct challenge by capitalist interests. Such a statement is meaningless. The maintenance or non-maintenance of a community's standard of life does not depend on governments or on capitalists. It depends on that community's production of wealth, both for its own use and for exchange against the wealth of other nations. If in England, for instance, production, for whatever reason—loss of capital in the war, less energy in the workers, loss of ability and enterprise in the directors of industry, incapacity or unwillingness of the rest of the world to buy—is less in 1920 than in 1914, then the standard of life in 1920 throughout the community cannot be as high as in 1914. It may be that quite temporarily the deterioration of that standard may be postponed by reducing the national savings, either by too excessive taxation or by subsidies on bread or housing or railway rates or other devices for concealing the true economic situation—*i.e.*, by sacrificing future progress to present needs. But it will not amount to much and must be paid for later. If production is much less in 1920 than in 1914, then the standard of life cannot by any means whatever be maintained. Indeed, over the greater part of Europe this result has long been reached, and owing to the failure of production the standard of life is now very far below that of 1914. It would be useless for the governments of Germany and Austria and of many other countries, too, to claim that the pre-war standard of life had been maintained; it would be a mockery to their populations to promise them a land fit for heroes. The day of self-deception as to the true economic position of the community, and as to the results of the war and of excessive government expenditure in impoverishing a country, is long past with them. Are we going to learn the lesson which they teach us or to

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follow in their wake ? Can we learn particularly from Germany's example of the extraordinary difficulties which threaten to overwhelm a highly developed and thickly populated industrial nation, as it is inevitably driven by the loss of capital, by excessive government expenditure and increasing inflation, further and further down the road to financial ruin ? For in our country there are evident and inevitable signs of a growing difficulty, hitherto veiled by the artificial financial methods of the war and the temporary after-war boom, in maintaining our general standard of life. Whether we are at all able to maintain during the immediate future among the mass of our population our existing standard depends very largely upon the extent to which we observe the financial and economic principles clearly laid down by the International Financial Conference at Brussels. They are therefore well worthy of careful consideration.

That Conference was a unique assembly. Eighty-six representatives, all of them versed in financial and economic affairs, were present from thirty-nine countries, whose inhabitants comprise three quarters of the world's population. These representatives, while appointed by their several governments, attended as experts and not as spokesmen of official policy. They expressed their personal opinions with freedom ; they voted with entire liberty in accordance with the dictates of their experience, and so clear, in their view, after a fortnight's arduous examination and discussion, was the nature of the financial evils from which the world is suffering, and the remedies therefor, that the final report of the Conference and all the resolutions of the various commissions were adopted unanimously. Notwithstanding its comparatively brief duration, the Conference did its work with thoroughness. It had before it detailed statements of the financial situation of all the thirty-nine countries represented ; it listened in addition to a verbal explanation from the spokesmen of each country ; it debated in full conference the four great



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questions of Public Finance, Currency and Exchange, International Trade and International Credit. Each of these four subjects was referred to a separate commission to draft resolutions, and finally these resolutions, together with a general report, were unanimously agreed to.

The Conference found that the root cause of all the world's financial predicaments was the great destruction of capital caused by the war. This loss of capital takes many forms. Its most striking form is in the actual destruction of towns and villages and countryside in the devastated areas of France and Belgium. But it is equally to be observed in the deterioration of railway systems, roads and houses, in the enforced sale of foreign securities to countries outside Europe, in the huge external debts of the belligerent countries, and, particularly in Central Europe, in the loss of working capital in the form of stocks of raw materials. England, it has been sometimes estimated, had in 1918 lost one-sixth of her pre-war capital; the German Government estimated officially at Spa that the national capital of Germany had been reduced by more than half.

So intense during the war were the demands of the governments on the resources of their nations that they could not be met solely out of the annual product of the people, but had partly to be met by dissipating their capital. So great were they, too, that they could not be paid for out of taxation expressly imposed or out of loans from the people's real savings. All governments resorted, therefore, to creating the purchasing power they needed by expanding according to their necessities either paper currency or banking credit, without any corresponding increase in real wealth. In other words, by continuously expanding currency and credit without expanding wealth they constantly debased their standard of value, until £1 now is worth less than 10s. in 1914; one mark is worth under 1d. in Germany as against 1s.; one krone in Austria is worth, say, about 1/5th of a penny instead of 10d.;

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while in Russia roubles which before the war would have been worth, say, £100,000, can now be bought as a speculation for about £20. Such inflation is merely a method of concealed taxation, by which a government takes from its citizens their wealth, not by actually forcing them to pay it over to the tax-gatherer, but by reducing its value. The more impoverished a country the greater the compulsion upon it to resort to these methods, the greater the extent to which it trenches upon its capital, and the further it is driven down this road to ruin. In the advanced stages of the disease, upon which Austria and Poland, for instance, and it may be said Germany too, has entered, to do anything to arrest it becomes a matter of extreme difficulty.

So far-reaching and corrupting are the effects of inflation that it is worth while to define them with some care, especially since many of the evils which flow from it are usually attributed popularly to quite other causes, and in consequence entirely futile remedies are proposed.

In the first place, inflation in this and other countries is the root cause of profiteering. Indeed, inflation and profiteering are Siamese twins. You cannot cure profiteering without curing inflation, and if you cure inflation you will cure profiteering. As long as prices continue to rise, whoever makes or buys or holds goods at one price and can in a short time sell them at a higher price must "profiteer." Profiteering is not an inherent vice of the capitalist system. In normal times and with stable prices, and when the losses which capital suffers are counted in with the profits, it is more than doubtful whether the profits of all trade and industry amount to more than a very small percentage on the capital employed. Certainly the idea that by the distribution of these profits you can largely increase wages is baseless. By causing profiteering, inflation is, therefore, responsible for the disproportionate importance attached by Labour to the profits of Capital. There is nothing, indeed, which has done so much in all



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countries in the last five years as profiteering to poison the relations between Capital and Labour, and for this reason alone it is extremely important to check inflation. Failing this, all other plans proposed by the Government or the Labour Party for reducing the cost of living are futile.

In the second place, what the profiteer, whether capitalist or wage earner, gains is lost by all those living on fixed incomes or salaries or on wages which have not increased with the increased cost of living. The extent of profiteering is the measure of what these classes have lost. Indeed the "new poor" are among the greatest sufferers through the war, and the greatest of all where inflation has been most rampant. If our inflation had equalled the Austrian, a widow or schoolmaster or clergyman, having £1,000 capital saved up and deposited in a bank in 1914, would now find that £1,000 reduced in value by the depreciation of currency to £20. In this country the average income of the country clergymen of the Church of England is probably now far below that of the skilled artisans and miners.

In the third place, inflation, by necessitating a constant readjustment between wages and prices—the vicious spiral, as it is now known throughout Europe, in which wages and prices endlessly chase one another—causes constant strikes and Labour unrest, very seriously impeding production. When wages increase faster than production the real cost of living increases to all those who are not strong enough to insist upon further increases of wages or salaries, or who cannot increase their incomes. In other words, the strong unions and the profiteers unwittingly trample down the weak, and bring them either a lowered standard of life or unemployment.

In the fourth place, inflation, by depreciating the currency, depreciates the exchanges. Thus all imports cost more, and again, particularly in a country like ours, which depends so largely on imports, prices are driven up.

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Fifthly, inflation, by increasing prices, constantly increases government expenditure. While revenue will ultimately increase in proportion to prices, expenditure tends to increase even more quickly and to cause a larger deficit, thus tending to still more inflation and a further increase in the cost of living. It is only quite recently, for instance, that railway and postage rates have been increased in any proportion to increased costs.

Sixthly, the constant changes in prices and in the exchanges restrict legitimate trade and industry and tend to replace them by speculation. This is another serious handicap to production.

Seventhly, in its extreme form, as seen in part of Europe, particularly Russia, inflation ultimately disintegrates society and leads to chaos and anarchy. The simple but brilliant Bolshevik plan of ruining Western civilisation by forging unlimited quantities of each country's currency would have been wonderfully effective if it could have been put into operation.

For these reasons the Brussels Conference recognised that the first reform in Europe, on which all others depended, and indeed the only means of avoiding ruin, was to check inflation. No other task before the governments of Europe was comparable in importance and urgency. Underneath all the machinery of finance lay the fundamental necessity of increasing production and encouraging saving. Economically inflation impeded production, and discouraged saving; politically and socially it was responsible for very many of the common troubles of Europe. It is true that rapid deflation, as the Conference recognised, by bringing further instability and great depression, might be as bad as inflation. What was imperatively required was stability, bringing with it confidence, so that the urgent task of restoring lost capital might be facilitated. How then could stability be achieved? The Conference recognised that, limited as it was by its reference to the sphere of finance, it "could only deal with



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a part of the problem which faced the governments and peoples of the world."

Finance is, after all, only a reflection of commercial and economic life—a part only, though an essential part, of its mechanism. The wealth of the world consists of the products of man's work, and the sum total of human prosperity can be increased only by an increase of production. All that any official or organised action can do is to create conditions which are favourable to production, and of those the most important fall outside the sphere of finance.

First and foremost the world needs peace. The Conference affirms most emphatically that the first condition for the world's recovery is the restoration of real peace, the conclusion of the wars which are still being waged and the assured maintenance of peace for the future.

"If the first condition," as the report of the Conference proceeds, "is peace between the countries of the world, the next is peace within each of them and the establishment of conditions which will allay the social unrest that is at present impeding and reducing production, and which will restore social content, and with it the will and the desire to work." Subject to these indispensable conditions the Conference advocated certain financial measures, for a full understanding of which its report and the resolutions of the different commissions should be studied with care.

First and foremost the governments, municipalities and other local authorities must live within their means.

In the second place "banks, and particularly banks of issue, should be freed from political pressure and should be conducted solely on the lines of prudent finance."

Thirdly, the creation of additional credit should cease, and governments and municipalities should not increase their floating debts, but should begin to repay or fund them by degrees. The Conference laid stress on the danger of large floating debts in themselves leading to further inflation.

Fourthly, the "natural regulator of credit is the rate of interest, imposed by the central banks of issue. There is

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no reason why governments should be less subject than the rest of the community to whatever rate of interest is necessary for the proper restriction of credit. In those countries where the financial machinery is wholly out of gear, and the rate of interest ineffective, credit must be restricted to real economic needs."

Fifthly, commerce should as soon as possible be freed from all government control and impediments to international trade removed.

Sixthly, economy in expenditure should be exercised by the whole population. "Such private action is the indispensable basis for the fiscal measures required to restore public finances."

Seventhly, on the question of currency, the Conference regarded the earliest return by all countries which have lapsed therefrom to the gold standard as highly desirable, but considered it "useless to attempt to fix the ratio of existing fiduciary currencies to their nominal gold value," or to attempt any sudden deflation of currency or to stabilise the value of gold. It rejected any notion of an International Currency or an International Unit of Account, and regarded any artificial control of the foreign exchanges as useless and mischievous.

Eighthly, as regards international credits and loans, it did "not believe that apart from particular decisions dictated by national interests or by considerations of humanity, credits should be accorded directly by governments." It thus summarily rejected all notions of vast international loans, of issues of League of Nations bonds, and so forth, which are wholly impracticable. It did, however, tentatively suggest for further consideration certain schemes for facilitating exports to impoverished countries either by special guarantees or some method of insurance. The Conference recommended that the League of Nations should arrange for further expert inquiry to be made as soon as possible into these schemes. Useful, however, as they may prove to be, it is certain that the



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part they can ever play is insignificant compared to the importance of encouraging credits through ordinary banking and financial channels, by a return to sound finance and freedom of trade and industry, in all countries requiring assistance.

It is not intended to discuss in further detail in this article the more technical recommendations of the Conference. With the adoption of sound principles of finance, with general peace, internal and external, it will be easy to carry them into effect : without them it will be impossible. It is better, therefore, to confine our attention to more fundamental questions. The true meaning of the Conference's recommendations can be summarised in one sentence. Stability can be attained in one way, and one way only—namely, by governments and citizens recognising their poverty and learning to live within their means. Simple as this platitude sounds, it is a task now fulfilled by hardly any European country, and is indeed, so reduced have their means become, temporarily at any rate, beyond the powers of several of them. Even in our own country its adoption as our common aim would involve a revolution in the political and economic ideas of the majority of our people, and certainly in the programmes of the political parties. The efficacy of all the other recommendations, indeed, depends upon sound public finance. What sound public finance means, and why its adoption is all-important, are explained in Mr. Brand's address and in the Resolutions of the Commission appointed to deal with that subject. Their main conclusions may be summarised as follows :—

1. Industry is suffering from a scarcity of capital. The more capital used by governments, the less is available for industry. Which is likely to use it most productively ?

2. There is a "close connection between Budget deficits and the cost of living which is far from being grasped." "Nearly every government is being pressed to incur fresh expenditure, largely on palliatives, which aggravate the evils against which they are directed."

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3. Budget deficits mean :—

(a) Further inflation of credit and currency.

(b) Further depreciation in the domestic currency and the exchange.

(c) A further rise in the cost of living.

“The country which accepts the policy of Budget deficits is treading the slippery path which leads to general ruin ; to escape from that path no sacrifice is too great.”

4. “It is therefore imperative that every government should, as the first social and financial reform, on which all others depend :

(a) Restrict its ordinary recurrent expenditure, including the service of the debt, to such an amount as can be covered by its ordinary revenue.

(b) Rigidly reduce all expenditure on armaments, in so far as such reduction is compatible with the preservation of national security.

(c) Abandon all unproductive extraordinary expenditure.

(d) Restrict even productive extraordinary expenditure to the lowest possible amount.”

5. Reduction in armaments is therefore essential.

6. All uneconomical and artificial measures including :

(a) subsidies on bread, coal, and other materials, as well as demoralising unemployment doles ;

(b) the maintenance of railway fares, postal rates, and other government charges on a basis insufficient to cover all the costs of the service given should be abandoned as soon as possible.

7. Where expenditure cannot be cut down within the limits of existing revenue, further taxation must be imposed.

What, then, are the lessons which we, in this country, can draw from the Conference ? First of all it is safe to say that owing to our splendid financial traditions of many years, and to the sound policy which Mr. Chamberlain and the Treasury have pursued in the past two years,



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Great Britain has hitherto come far nearer than any other country to meet in Public Finance the ideals laid down by the Conference. The simple statement made by Lord Chalmers of the huge taxation which we had imposed, and the commencement we had already made in the repayment of debt, made a great impression on the Conference.

Nevertheless, fortunate as is our position in comparison with our continental neighbours, we have not, in the writer's opinion, yet passed the crest of the hill or by any means definitely overcome all danger of further inflation. If, as seems unfortunately likely, we must face in the next year or two a period of severe trade depression, the government revenue, and particularly the Excess Profits Duty, is likely to show a decided falling-off. Revenue will cease to be elastic, and additional taxation, instead of increasing revenue, may diminish it by further diminishing the already insufficient stores of capital for industry, and by hampering production. On the other hand government expenditure seems likely actually to increase, unless Parliament insists on its curtailment. The genius of Mr. Lloyd George's government does not exactly lie in economy, and official government apologists are already urging that expenditure cannot be reduced. On the other hand, schemes of further public expenditure on unemployment insurance, relief works, and so forth, are foreshadowed. They may very likely turn out to be "palliatives which aggravate the evils against which they are directed." Whatever their merits, they involve an increase instead of a diminution in expenditure. In some form or other, therefore, the community in general must bear the extra burden imposed. If pay is given to the unemployed, then it must go to reduce the profits or the interest or the salaries or the wages of those who are working or have capital invested. If great highways are built out of London by the public authorities, they cannot be immediately remunerative. Yet the wages and materials must be immediately paid for, and the extra burden must be met by the taxpayers and

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ratepayers. And their burden, it may be said in general, is, in one way or another, either by causing increased cost of living or reduced employment, shared ultimately by the general community. Whatever you do, you cannot make something out of nothing. It is imperative, therefore, that every item of government expenditure should be most closely scrutinised. Above all, and by some means or other, the Government must continue at least to balance its Budget and to redeem gradually the floating debt.

This brings us to another and extremely important point. It is not only government expenditure which causes inflation. Inflation results also from an increase in banking credit unaccompanied by a proportionate increase in real wealth. In 1919 banking credit expanded enormously, and the increase in the liabilities of the banks of the United Kingdom amounted to nearly £450,000,000, an increase larger than in any war year. There are indications that the increase still continues. This increased purchasing power granted by the banks is due to the demands of industry, and these demands have been again due partly to enterprise, which is legitimate, partly to enterprise which has been misguided, since the products made cannot be sold, and partly to additional requirements of industry due to increased wages and costs. Anything which increases costs tends to increase inflation. For instance, the recent coal strike will tend, temporarily at any rate, to increase the cost of living. It will reduce production, and so increase scarcity and send up prices ; it will reduce saving, and so capital, and tend to increase the rate of interest, which again will tend to increase prices ; it will diminish our exports, and thus tend to prevent any recovery in our exchanges ; in consequence, all our imports will cost us more than they otherwise would have, and so prices will be increased. This increase in prices in itself will lead to more currency being required, and to all companies needing more credit and more capital to carry their working stock and to continue their opera-



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tions. Since the Government have definitely restricted the amount of currency which can be issued, the banks cannot, as during the war, continuously and without fear increase their credit facilities. Indeed, so great have been already the demands on them, that they have already had to restrict them. If, therefore, owing to increased prices further credit must be had and cannot be obtained, the companies concerned must restrict or abandon their operations, and so unemployment will grow. Moreover, any increase in the cost of living leads to demands for higher wages all round; and so the vicious spiral will mount.

But it does not need a strike to cause further inflation. The same results tend to occur whenever wages have reached an uneconomically high level—*i.e.*, when they are disproportionate to the value of the output, that value depending, of course, on the effective demand in this and other countries for the product made. In normal times, and under private enterprise, the necessary adjustment must be reached by the closing of the factory concerned or the restriction of its output, or, in the case of agricultural products, the restriction of acreage, since the product will not be bought by the consumers, and that is what is already the case in many trades. But that does not so easily happen in the case of a necessity and a monopoly like coal. Clearly the mine-owners and the miners can continue for a long time to secure high profits and wages by increasing the cost of coal before the consumption of it will very largely decrease. But let us be under no illusion as to the results. Unless the production of coal increases, the higher profits and wages of the coal industry are secured by depressing the standard of the rest of the community, and, in all probability, in particular the standard of those classes least able to defend themselves, such as the unskilled and unorganised workers. One can liken the production of the country available for distribution in wages, interest, and profits to a blanket with which several people

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are trying to cover themselves, but which is too small. If one party is strong enough or selfish enough to manage to cover himself, someone else must be left out in the cold.

Most trades are, of course, not monopolies like the coal trade, and the most serious problem before the country is to arrive in industry in general at an equilibrium between the cost of production of which wages will be the largest fraction and the value of the article produced, or, in other words, on our power to sell it. The textile industry is depressed because the Far East finds our prices too high. Moreover, large contracts in railway and other materials are going to our European competitors, because their prices are lower than ours. It may be that we cannot retain our markets and avoid very great unemployment without an adjustment in wages; it may be that we can hold the position by increasing our efficiency: it may be that we can make the necessary readjustment by great emigration. One thing is certain. By one means or another an equilibrium must be reached. Merely to increase wages must merely increase inflation with its endless evil consequences, and ultimately lead to the most widespread unemployment and distress.

It is useless to think we can live in a water-tight compartment of our own. We depend on selling our exports. If we are cut out by our competitors, we must either have unemployment or reduce our costs. The tendency is clearly in the direction of reduced world prices, and if prices come down profits will certainly come down, and wages may have to follow them.

The trades unions and the Labour Party insist, and rightly insist, on the vital importance of maintaining the standard of living. However sound is our financial and economic policy, the war has made that difficult enough in any case. The blanket is not large enough. But is it not irony that Labour, sincerely desirous above all things of securing this end, should by its action and policy be making it wholly unattainable? Each strike, great and small,



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weakens *pro tanto* the community's power to maintain its standard. But, apart from these shocks, the main policy of the Labour Party appears to be the extension of government activities in every direction with the certain consequent extension of government expenditure. It is impossible to disguise from oneself that such a policy is in direct contradiction with the principles of the Brussels Conference. If the Conference is right, it must lead to further inflation, a further rise in the cost of living, increased taxation, and all the evils indicated above. Yet what does Mr. J. H. Thomas say, speaking on behalf of the Labour movement in his recent book, *When Labour Rules*. Nationalisation, says Mr. Thomas, who seems to regard it as the panacea of all economic ills, "will decrease the cost of the commodity to everyone, it will leave allowance for a system of wages in advance of those appertaining to-day, and even then a margin which will go into the national exchequer and thus relieve taxation." These statements are entirely unsupported by any evidence or even by any arguments. It is important they should be, since, if the Brussels Conference is right, they are in the circumstances of the moment the exact opposite to the truth.

The spokesmen of Labour sometimes talk as if the standard of life were something independent of the joint efforts of the whole community and, indeed, of the whole world, something possessed by the Government, or the income-tax payers, which Labour could secure and keep, if it was only firm and determined enough. But, of course, that is not so. It depends on the national production of wealth, and unless an increase in government functions means an increase in national production it would become more difficult, instead of less, to maintain wages. The standard of 1914 can only be maintained by the production of 1914. And, unfortunately, production does not depend only on the efforts of Labour, or on those of Capital, or on anything we can do in this country. It depends largely on the prosperity of our neighbours, on their power to buy

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from us by selling to us in turn and also on their willingness to buy from us at the high prices necessitated by the high cost of labour and capital here. It is curious, indeed, to note that some of the countries least directly concerned in the war find themselves in the greatest difficulties. Neutrals like Switzerland with a favourable exchange are in great straits owing to their inability to find purchasers for their goods, since their neighbours cannot buy. Nothing shows more strikingly the interdependence of the whole world. We cannot live on our neighbours' poverty. Until the world regains equilibrium, and until our neighbours recover, low production, unemployment, and hard times may be enforced on us. Whatever we do, we cannot escape the consequences by unemployment bonuses and relief works. We may distribute more widely the burden, but that is all. And unless we manage at all costs to hold to the path laid down by the Brussels Conference, our troubles will grow still worse.

Is it impossible for all parties, Coalition, Liberal and Labour, to agree upon the soundness of the principles approved at Brussels? Will not the Labour Party at any rate make a serious and impartial study of them? Will not they seriously consider whether the interests of their followers are not best served by restricting government expenditure, checking inflation, achieving stability of prices, improving the exchanges, and by, if not reducing, at least preventing any further rise in the cost of living? Must they really hold to the faith that their salvation lies here and now in the great extension of government activities and expenditure? For at any rate, until we have recovered somewhat from the war, that way no salvation lies.

To the writer they seem sometimes to ignore the fact that the community is an organic whole, of which by far the largest part consists, of course, of the manual workers themselves; that, if they increase government expenditure and necessitate additional taxation, they are taking money from themselves, since in one form or another, the sacrifices



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which such taxation involves, are distributed over the whole community ; that, if they strike, they strike against themselves ; that, if they reduce production, they reduce their own standard of living ; that they cannot, as their extremists desire, render industry unprofitable without first ruining themselves ; that there is no hidden reservoir of wealth except in their own energy, skill and ability, and that of the rest of the community ; and that their salvation and the maintenance of their standard of life depends on confidence, stability, and sound finance. If it were only possible for the political parties to agree on these principles, as to which no representative at the Brussels Conference, nor any of the great economists whom they consulted, had a shadow of doubt, we should have found a firm basis from which to proceed to a fruitful consideration of the great economic problems of the day—namely, the better distribution of the product of industry, the stimulus to production necessary to maintain our standard of life, and the cure, or at least the utmost diminution, of unemployment. The sound basis from which we should start would eliminate many quack remedies now current, and our financial and economic position and the well-being of our people might be quickly improved.

### RESOLUTIONS PROPOSED BY THE COMMISSION ON PUBLIC FINANCE AND ADOPTED UNANIMOUSLY BY THE CONFERENCE.

#### I

Thirty-nine nations have in turn placed before the International Financial Conference a Statement of their financial position. The examination of these statements brings out the extreme gravity of the general situation of public finance throughout the world, and particularly in Europe. Their import may be summed up in the statement that three out of every four of the countries represented at this Conference, and eleven out of twelve of the European countries, anticipate a Budget deficit in the present year. Public opinion is largely responsible for this situation. The close connection between these Budget deficits and the cost of living, which is causing such suffering and unrest throughout the world, is far

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from being grasped. Nearly every Government is being pressed to incur fresh expenditure ; largely on palliatives which aggravate the very evils against which they are directed. The first step is to bring public opinion in every country to realise the essential facts of the situation and particularly the need for re-establishing public finances on a sound basis as a preliminary to the execution of those social reforms which the world demands.

### II

Public attention should be especially drawn to the fact that the reduction of prices and the restoration of prosperity is dependent on the increase of production, and that the continual excess of Government expenditure over revenue represented by Budget deficits is one of the most serious obstacles to such increase of production, as it must sooner or later involve the following consequences :

(a) Further inflation of credit and currency.

(b) A further depreciation in the purchasing power of the domestic currency, and a still greater instability of the foreign exchanges.

(c) A further rise in prices and in the cost of living.

The country which accepts the policy of Budget deficits is treading the slippery path which leads to general ruin ; to escape from that path no sacrifice is too great.

### III

"It is therefore imperative that every Government should, as the first social and financial reform, on which all others depend :

"(a) Restrict its ordinary recurrent expenditure, including the service of the debt, to such an amount as can be covered by its ordinary revenue.

"(b) Rigidly reducing all expenditure on armaments in so far as such reduction is compatible with the preservation of national security.

"(c) Abandon all unproductive extraordinary expenditure.

"(d) Restrict even productive extraordinary expenditure to the lowest possible amount."

### IV

The Supreme Council of the Allied Powers in its pronouncement on March 8 declared that "Armies should everywhere be reduced to a peace footing, that armaments should be limited to the lowest possible figure compatible with national security and that the League of Nations should be invited to consider, as soon as possible,



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proposals to this end." The statements presented to the Conference show that, on an average, some 20 per cent. of the national expenditure is still being devoted to the maintenance of armaments and the preparations for war. The Conference desires to affirm with the utmost emphasis that the world cannot afford this expenditure. Only by a frank policy of mutual co-operation can the Nations hope to regain their old prosperity; and in order to secure that result the whole resources of each country must be devoted to strictly productive purposes.

The Conference accordingly recommends most earnestly to the Council of the League of Nations the desirability of conferring at once with the several Governments concerned, with a view to securing a general and agreed reduction of the crushing burden which, on their existing scale, armaments still impose on the impoverished peoples of the world, sapping their resources and imperilling their recovery from the ravages of war. The Conference hopes that the Assembly of the League which is about to meet will take energetic action to this end.

### V

While recognising the practical difficulties in the way of immediate action in all cases, the Conference considers that every Government should abandon at the earliest practicable date all uneconomical and artificial measures which conceal from the people the true economic situation; such measures include:

(a) The artificial cheapening of bread and other foodstuffs, and of coal and other materials by selling them below cost price to the public, and the provision of unemployment doles of such a character as to demoralise instead of encouraging industry.

(b) The maintenance of railway fares, postal rates and charges for other government services on a basis which is insufficient to cover the cost of the services given, including annual charges on capital account.

### VI

In so far as, after every effort has been made, it is impossible to cut down expenditure within the limits of existing revenues, fresh taxation must be imposed to meet the deficit, and this process must be ruthlessly continued until the revenue is at least sufficient to meet the full amount of the recurrent ordinary expenditure. The Conference considers that the relative advantages of the various possible means of increasing the national revenue, whether by direct or indirect taxation or by a capital levy (to be devoted to the repayment of debt), depend upon the special economic conditions obtain-

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ing in each country, and that in consequence each country must decide for itself on the methods which are best suited to its own internal economy.

### VII

If the above principles are accepted and applied, loans will not be required for recurrent ordinary expenditure; borrowing for that purpose must cease. In a number of countries, however, although the ordinary charges can be met from revenue, heavy extraordinary expenditure must at the present time be undertaken on capital account. This applies more especially in the case of those countries devastated during the war, whose reconstruction charges cannot possibly be met from ordinary receipts. The restoration of the devastated areas is of capital importance for the re-establishment of normal economic conditions; and loans for this purpose are not only unavoidable but justifiable. But in view of the shortage of capital it will be difficult to secure the sums required even for this purpose, and only the most urgent schemes should be pressed forward immediately.

### VIII

The means by which loans are raised are no less important than the purposes for which they are destined. In future the loans which are required for urgent capital purposes must be met out of the real savings of the people. But those savings have, as it were, been pledged for many years ahead by the credits created during the war, and the first step to raising fresh money must be to fund the undigested floating obligations with which the markets are burdened. These principles apply both to internal and to external borrowing, and in regard to the latter we suggest that it would be in the general interest for the creditor countries to give such facilities as may be possible to the debtor countries to fund their floating obligations at the earliest possible date.

### IX

In order to enlist public interest it is essential to give the greatest publicity possible to the situation to the public finances of each State.

The Conference is, therefore, of the opinion that the work already accomplished by the Secretariat in its comparative study of public finances should be continued, and it suggests that the Council of the League of Nations should request all its Members and all the Nations represented at this Conference to furnish it regularly not



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only with Budget estimates and final Budget figures, but also with a half-yearly account of actual receipts and expenditure. At the same time, countries should be urged to supply as complete information as is possible on the existing system of taxation, and any suggestions which may appear to each State to be useful for the financial education of the public opinion of the world.

With the aid of the information thus obtained the League of Nations would be enabled to prepare pamphlets for periodical publication setting out the comparative financial position of the countries of the world, and making clear the various systems of taxation in force.

### X

The Conference is of opinion that the strict application of the principles outlined above is the necessary condition for the re-establishment of public finances on a sound basis. A country which does not contrive as soon as possible to attain the execution of these principles is doomed beyond hope of recovery. To enable Governments, however, to give effect to these principles, all classes of the community must contribute their share. Industry must be so organised as to encourage the maximum production on the part of capital and labour, as by such production alone will labour be able to obtain those improved conditions of life which it is the aim of every country to secure for its people. All classes of the population, and particularly the wealthy, must be prepared willingly to accept the charges necessary to remedy the present situation. Above all, to fill up the gap between the supply of and the demand for commodities, it is the duty of every patriotic citizen to practice the strictest possible economy and so to contribute his maximum effort to the common weal. Such private action is the indispensable basis for the fiscal measures required to restore public finances.

#### RESOLUTIONS PROPOSED BY THE COMMISSION ON CURRENCY AND EXCHANGE AND ADOPTED UNANIMOUSLY BY THE CONFERENCE.

The currency of a country, in the sense of the immediate purchasing power of the community, includes (*a*) the actual legal tender money in existence, and (*b*) any promises to pay legal tender, *e.g.*, as Bank balances—which are available for ordinary daily transactions.

The currencies of all belligerent, and of many other, countries, though in greatly varying degrees, have since the beginning of the war been expanded artificially, regardless of the usual restraints upon such expansion (to which we refer later) and without any

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corresponding increase in the real wealth upon which their purchasing power was based ; indeed in most cases in spite of a serious reduction in such wealth.

It should be clearly understood that this artificial and unrestrained expansion, or "inflation" as it is called, of the currency or of the titles to immediate purchasing power, does not and cannot add to the total real purchasing power in existence, so that its effect must be to reduce the purchasing power of each unit of the currency. It is, in fact, a form of debasing the currency.

The effect of it has been to intensify, in terms of the *inflated* currencies, the general rise in prices, so that a greater amount of such currency is needed to procure the accustomed supply of goods and services. Where this additional currency was procured by further "inflation" (*i.e.*, by printing more paper money or creating fresh credit) there arose what has been called a "vicious spiral" of constantly rising prices and wages and constantly increasing inflation, with the resulting disorganisation of all business, dislocation of the exchanges, a progressive increase in the cost of living, and consequent labour unrest.

### I

Therefore :

*It is of the utmost importance that the growth of inflation should be stopped*, and this, although no doubt very difficult to do immediately in some countries, could quickly be accomplished by (1) abstaining from increasing the currency (in its broadest sense as defined above), and (2) by increasing the real wealth upon which such currency is based.

The cessation of increase in the currency should not be achieved merely by restricting the issue of legal tender. Such a step, if unaccompanied by other measures, would be apt to aggravate the situation by causing a monetary crisis. It is necessary to attack the causes which lead to the necessity for the additional currency.

The chief cause in most countries is that the Governments finding themselves unable to meet their expenditures out of revenue, have been tempted to resort to the artificial creation of fresh purchasing power, either by the direct issue of additional legal tender money, or more frequently by obtaining—especially from the Banks of Issue, which in some cases are unable and in others unwilling to refuse them—credits which must themselves be satisfied in legal tender money. We say, therefore that :—

### II

*Governments must limit their expenditure to their revenue. (We are not considering here the finance of reconstructing devastated areas.)*



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## III

*Banks, and especially Banks of Issue, should be freed from political pressure and should be conducted solely on the lines of prudent finance.*

But the Governments are not the only offenders in this respect ; other parties, and especially in some countries the municipalities and other local authorities, have raised excessive credits which in the same way multiply the titles to purchasing power.

Nor will it be sufficient, for the purpose of checking further inflation, that additional issues of legal tender or the granting of additional credits should cease ; since the floating debts of Government and other authorities constitute in themselves a form of potential currency, in that, except in so far as they are constantly renewed, their amount will come to swell the total currency in existence. Consequently—

## IV

*The creation of additional credit should cease and Governments and municipalities should not only not increase their floating debts, but should begin to repay or fund them by degrees.*

In normal times the natural and most effective regulator of the volume and distribution of credit is the rate of interest which the central Banks of Issue are compelled, in self-preservation and in duty to the community, to raise when credit is unduly expanding. It is true that high money rates would be expensive to Governments which have large floating debts, but we see no reason why the community in its collective capacity (*i.e.*, the Government) should be less subject to the normal measure for restricting credit than the individual members of the community. In some countries, however, the financial machinery has become so abnormal that it may be difficult for such corrective measure to be immediately applied. We recommend, therefore, that—

## V

*Until credit can be controlled merely by the normal influence of the rate of interest, it should only be granted for real economic needs.*

It is impossible to lay down any rule as to the “proper rates” of discount or interest for different countries. These rates will depend not only on the supply and demand at different times but also on other factors often of a psychological nature. It may, indeed, confidently be said that when once the arbitrary increase of inflation ceases and when the Banks of Issue are able successfully to perform their normal functions, rates will find their own proper level.

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The complementary steps for arresting the increase of inflation by increasing the wealth on which the currency is based may be summed up in the words: increased production and decreased consumption.

The most intensive production possible is required in order to make good the waste of war and arrest inflation and thus to reduce the cost of living; yet we are witnessing in many countries production below the normal, together with those frequent strikes which aggravate instead of help to cure the present shortage and dearness of commodities. When diminution in the Governments' demands frees more credits for trade and for the recuperation of the world, when inflation has ceased and prices cease to rise, and when the general unsettlement caused by the war subsides, it is probable that great improvement will be seen in productive activity. Yet, in our opinion, the production of wealth is in many countries suffering from a cause which it is more directly in the power of Governments to remove—viz., the control in various forms which was often imposed by them as a war measure and has not yet been completely relaxed. In some cases business has even been taken by Governments out of the hands of the private trader, whose enterprise and experience are a far more potent instrument for the recuperation of the country.

Another urgent need is the freest possible international exchange of commodities. With this another Commission will deal, but we feel that our recommendations here on inflation would not be complete without adding that—

### VI

*Commerce should as soon as possible be freed from control, and impediments to international trade removed.*

Equally urgent is the necessity for decreased consumption in an impoverished world where so much has been destroyed and where productive power has been impaired. It is, therefore, specially important at present that both on public and private account and not only in impoverished countries, but in every part of the world—

### VII

*All superfluous expenditure should be avoided.*

To attain this end, the enlightenment of public opinion is the most powerful lever. If the wise control of credit brings dear money, this result will in itself help to promote economy.

We pass now from inflation and its remedies to the other points submitted to us.

Without entering into the question whether gold is or is not the ideal common standard of value, we consider it most important that



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the world should have some common standard, and that, as gold is to-day the nominal standard of the civilised world,—

## VIII

*It is highly desirable that the countries which have lapsed from an effective gold standard should return thereto.*

It is impossible to say how or when all the older countries would be able to return to their former measure of effective gold standard or how long it would take the newly formed countries to establish such a standard. But in our opinion—

## IX

*It is useless to attempt to fix the ratio of existing fiduciary currencies to their nominal gold value ; as, unless the condition of the country concerned were sufficiently favourable to make the fixing of such ratio unnecessary, it could not be maintained.*

The reversion to, or establishment of, an effective gold standard would in many cases demand enormous deflation and it is certain that such—

## X

*Deflation, if and when undertaken, must be carried out gradually and with great caution ; otherwise the disturbance to trade and credit might prove disastrous.*

## XI

*We cannot recommend any attempt to stabilise the value of gold and we gravely doubt whether such attempt could succeed ; but this question might well be submitted to the Committee to which we refer later, if it should be appointed.*

## XII

*We believe that neither an International Currency nor an International Unit of Account would serve any useful purpose or remove any of the difficulties from which International Exchange suffers to-day.*

## XIII

*We can find no justification for supporting the idea that foreign holders of Bank notes or Bank balances should be treated differently from native holders.*

## XIV

*In countries where there is no central Bank of Issue, one should be established, and if the assistance of foreign capital were required for*

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the promotion of such a Bank, some form of international control might be required.

### XV

*Attempts to limit fluctuations in Exchange by imposing artificial control on Exchange operations are futile and mischievous.* In so far as they are effective they falsify the market, tend to remove natural correctives to such fluctuations and interfere with free dealings in forward Exchange which are so necessary to enable traders to eliminate from their calculations a margin to cover risk of exchange, which would otherwise contribute to the rise in prices. Moreover, all Government interference with trade, including Exchange, tends to impede that improvement of the economic conditions of a country by which alone a healthy and stable exchange can be secured.

We support the suggestion that—

### XVI

*A Committee should be set up* both for continuing the collection of the valuable financial statistics that have been furnished for this Conference and also the further investigation of currency policy.

## EUROPE'S ECONOMIC NEEDS

AN ADDRESS MADE TO THE BRUSSELS CONFERENCE BY  
THE HON. R. H. BRAND, C.M.G.

It is my duty and my privilege to initiate the debate in this conference on the all-important question of public finance, and to speak not as the representative of any nation, but from the general international standpoint of the League of Nations. It is natural that in the time at my disposal I cannot do more than paint the very broadest picture of the subject. Nor do I claim or expect to say anything new on this vastly important and difficult problem, which is and must continue to be the constant pre-occupation of all the Governments of Europe and of very many of the distinguished persons gathered here. All those present will have had an opportunity of digesting not only the economic declaration of the Supreme Council of March 8, 1920, but also the very illuminating memoranda prepared at the request of the Secretariat of the League of Nations by certain distinguished economic experts. All these documents deal largely with the problems of public finance. They will equally no doubt have studied all the other documents relating to the actual financial conditions of each country, its revenue and expenditure, its debts, funded and floating, its currency conditions,



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exchange and so forth. They will have, therefore, in their minds not only the general principles of public finance, which they are recommended to adopt by the great economic experts of the day, but the actual conditions in each country to which these principles must be applied. I confess that a study of all these matters leads me to the conclusion that the great difficulty before the financial leaders of the world is to know, not what they ought to do, but how they are to do it. The goal is clear; the path to it not difficult to find; the question is how to surmount the obstacles, in some cases the huge obstacles, both economic and political, which lie between.

Nevertheless, notwithstanding the full information which is already before the conference, it may be useful to survey broadly the various main aspects of the present unparalleled situation. During the last 100 years, we have seen, especially in Europe, a development which is without a precedent in the history of the world. During that period and solely owing to new methods of wealth production, the capital wealth of Europe, and consequently its population, have increased at a far greater rate than ever before, until now that population is far denser than in any other part of the world. The density of population in Europe is estimated at 123 persons to the square mile; that of Asia at 53; that of North and Central America at 16 and of Australasia 2½; while the United States has 34 persons to the square mile. Belgium had before the war 665, the United Kingdom 358, Germany 324, Italy 330, and France 191. The growth and density of this European population had only been rendered possible by a highly complex organisation of industry and finance, by intensive methods of wealth-production, and by a vast interchange of European manufactured articles against the food and raw materials of the rest of the world. The civilisation of Europe is not self-supporting. The actual livelihood of its teeming millions is dependent on the smooth working of the great international financial and industrial machine, and on the maintenance of the fixed and circulating capital on which production is dependent. Europe, in fact, by the vast growth of her population, had given hostages to fortune, and could clearly only risk war at the cost of immense ultimate suffering and a lowered standard of life. Nevertheless war came, and lasted four years, a period which, I think, all economists would have predicted as almost impossible. I shall not dwell on its manifold economic results. I wish merely to lay stress on one, which is the fundamental cause of all our difficulties, and which has therefore an all-important effect on public finance—namely, the huge destruction and deterioration of capital and the consequent impaired productive capacity of Europe. It is true that only in the case of certain countries, notably France and Belgium—and these cases must have our special sympathy—has the destruction of fixed capital been on a very great

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scale. But in all the belligerent countries at any rate, and probably in a minor degree in some of the neutrals, the loss of working capital and the deterioration of fixed capital represent a huge sum, and have had in all cases very serious and in some cases almost disastrous effects. I have seen estimates that in my own country we have lost perhaps one sixth of our pre-war accumulated capital; in the case of other European belligerents the proportion is probably much greater. The German Government estimated, it appears, at Spa, that the capital value of German wealth had been reduced from 220 billion gold marks to 100 billion gold marks.

It can be imagined how serious is this great loss of capital to a continent so highly developed and so densely populated. The depressing effect on industry and trade of the loss entailed by a single bad harvest is well known. Purchasing power is diminished, and production must slacken in consequence. Imagine how vastly greater must be the consequences of the war's huge destruction. The masses can only secure the goods they want in exchange for the goods they produce. Rises in prices and wages unaccompanied by increased production accomplish nothing.

The inadequacy of capital and consequently of productive power is fundamental, and therefore in my opinion it is the necessity of increasing it as rapidly as possible that should be the main guide to public finance. The wealth of a nation must precede the wealth of its Government.

First, then, this question must be put. Since there is not enough capital to go round, which is to have it, Governments or private industry? The more capital is absorbed by Governments, the less is available for private industry. It is only too clear that industry in all countries is suffering severely from want of capital. The rates of interest demanded are constantly rising, and, since not enough money can be obtained from the public, the pressure on the banks for credit becomes more and more severe. Which is likely to use capital more productively, Governments or private industry? If the answer is in favour of private industry—that is, to use the words of a statesman of my country, Mr. Gladstone, in favour of allowing money to fructify in the pockets of the people—then, except in the cases of clearest necessity, it is imperative that Governments should restrict their expenditure within the smallest dimensions.

Secondly, it is generally recognised that continued inflation, which is primarily due to excessive government expenditure, has a serious effect on production. It is not sufficient for trade and industry merely to have capital. They must have some stability of conditions also. They require stable prices, stable exchanges, stability of the internal and external financial mechanism. The most ominous and disquieting feature of the European situation



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to-day is the constant fluctuation and even deterioration of the exchanges, the gulf which still exists in most countries in Europe between public expenditure and revenue, and in some of the most important countries the still continued increase of the floating debt and of currency. Inflation, as Professor Cassel has said, "is the combined result of an artificial creation of purchasing power in order to finance government expenditure beyond the real capacity of the country and a falsification of the money market by a too low rate of interest, in both cases with assistance of an arbitrary supply of legal tender." Inflation indeed is at bottom the result of a dearth of real capital sufficient to meet the needs of the Governments and the peoples. The greater the scarcity of capital, the more insistent becomes the impulse both on the Government and on industry to secure more purchasing power, so that all may compete for the capital they require and yet cannot get. The more impoverished becomes a nation, therefore, the worse becomes the inflation, the more prices are driven up, the worse become the exchanges, the more difficult it becomes to secure the imports without which production cannot continue, and the harder it becomes to remedy the disease. The only remedy for inflation is to arrest the increase of artificial purchasing power, whether it arises from the direct act of the Government in increasing floating debts or legal tender, or from an excessive creation of credit by the banks. For this remedy to be applied, there is needed in the first case an equilibrium between the Government's ordinary recurrent expenditure and revenue; in the second case an abandonment of the practice of meeting non-productive expenditure out of loans and a limitation even of productive capital expenditure to the lowest possible amount—since no country can with advantage add still further to its public debt—and in any case its limitation to what the public can provide out of their real savings.

The first and most important duty of public finance is that a Government should pay its way. Without that there is no foundation either for its own economic life or for receiving assistance from others.

But it may be argued with force that the duty of Governments in the prevention of inflation does not stop there. Banks can inflate as well as Governments, so long as the output of currency is unlimited. It seems therefore desirable for the Governments to take such steps as are within their power to secure such a restriction of bank credit by sufficiently high rates of discount as will correspond with the real capital available for industry and trade. It is so easy to suppose that, if industry is in need of money, its difficulties will be solved by the creation of further credit; it is so difficult to concede that cheap money may actually be harmful to production, and may raise prices. The confusion comes from

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failing to distinguish between credit and capital. The real limiting factor in production is not credit, but capital, the actual goods and commodities available which cannot be increased merely by increasing credit. In 1914 the production of Europe in real goods was far greater than it is to-day; there was no lack of credit and the industrial plant was at full blast. To-day production is far lower, and yet credit and currency have been doubled and quadrupled. It cannot be a lack of credit that lies at the root of the trouble. The real evil lies in the constantly advancing prices which are always rendering insufficient the capital and resources of industry as well as the revenue of the Government, the rise in prices itself being caused by the great excess of the demands of the Government over the resources which they can obtain from the real savings of the people, by the excessive demands of industry on the available capital of the country, and, I may add, in some countries by the necessity to import food and other materials without any possibility of paying by exports, with the consequent complete demoralisation of the exchanges.

There are many things we cannot now do that we could have done before the war; there are many schemes and developments we must postpone, many commodities we must do without. We must be content to produce what is of the most immediate use to the community. For this reason it is a duty of those in charge of public finance to bring about some correspondence between the supply of real capital and the supply of money by imposing or recommending sufficiently high rates of discount. That is the effective means of diverting the insufficient stream of capital into the channels where it is most needed at the moment. It is of the greatest importance that capital should, as far as possible, be applied mainly to the quick production of immediately consumable articles. High rates are the only effective method of restricting development on lengthy processes of production and of forcing commodities, if they exist, on to the market. Credit is always inclined to burst its bounds, a tendency enormously intensified in a period of rapidly rising prices. It is only by means of high rates that the pressure on the banks can be maintained within bearable limits, and can be eventually diminished sufficiently to allow once again a definitely restricted issue of currency and a stable standard of value to be re-established. If this view is correct it is interesting to examine the table in paper No. 3, "Currency Statistics," laid before the conference, containing the Bank Rates of discount in the respective countries. The highest rates will be found in Japan, the United Kingdom, the United States, the Argentine and in the Scandinavian countries; the rates are lower in those European countries which have suffered most from the war and where inflation is far more serious. It is naturally useless to render money scarce



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at one end by a high Bank Rate, while at the other end purchasing power is being rapidly increased by adding to the currency or the floating debt. A policy of high interest rates must therefore be accompanied by a cessation by Governments of the practice of creating additional purchasing power, unbalanced by any increase in production. In this connection it is important also to note that saving, which it is of such vital moment to encourage, will certainly not be stimulated by low interest rates accompanied by a constant depreciation in the standard in which such savings are measured. It is this depreciation which leads to a spirit of reckless extravagance and a determination to spend at once what in any case is likely to be lost.

There is a third way in which excessive government expenditure impedes the recovery of the productive process—namely, by necessitating excessive taxation. I do not propose to consider the important and difficult question, for instance, as to the comparative merits of direct and indirect taxation or as to the advantages and disadvantages of a capital levy or a forced loan. These are matters which each country must decide for itself according to its special circumstances. But the principle, which I have already mentioned, that revenue should at least be sufficient to meet all ordinary recurring expenditure, including interest and sinking fund on debt, is applicable to all countries. This itself, which is a minimum demanded by sound public finance, is a task which imposes to-day on many countries very severe taxation. As soon as this taxation can no longer be paid out of real savings, it not only leads to further inflation and to further increases in prices, but it entrenches on the capital which is necessary for production. Industrial and trading companies, which have to pay away huge sums in taxation, find themselves short of working capital. Very likely they cannot raise the money they need from the ordinary investor, and they are driven to the banks. The banks are faced with the dilemma either of seeing the industry in question collapse or of granting them credit. As long as an unlimited supply of currency can be obtained from the issuing authority, the banks, of course, can provide themselves with resources, but at the cost to the community of further inflation, and of a further step on the downward path. Moreover, excessive taxation, while limiting the possible profits of enterprise, does nothing to lessen the risks of loss. Consequently it is bound to have for this further reason a depressing effect on production.

From whatever angle, therefore, the problem is examined, one is driven always to the same conclusion that the greatest interest of public finance should be to limit government expenditure. To follow this policy at all costs, and to accompany it by sufficiently high money rates, seems to be the only means of arresting inflation, reaching stability in prices and exchanges, and rendering possible

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the rehabilitation of foreign trade, the only means, in fact, by which, through the encouragement of production and saving, Europe can within a reasonable period replace the capital lost in the war.

It is easy to enunciate such principles. Few people will dispute them. But an examination of the actual facts of the situation quickly reveals the extreme difficulties in the way of putting them wholly into practice. The figures I have been supplied with by the Secretariat of the League of Nations show how enormously net government expenditure has increased proportionately to the total national income in the case of nearly all countries. This percentage has increased in the case of the United Kingdom from 7·7 per cent. to 26 per cent., and in the case of France from 12·8 per cent. to 35·7 per cent., and these are merely typical examples. The largest items in the budgets of European Governments to-day are, of course, the direct consequence of the war, such as armaments, interest on debt, war pensions, subsidies on food, houses, and so forth, and deficits on public undertakings such as railways. In certain cases the largest item of all is the actual reconstruction of devastated areas.

The expenditure on reconstruction, the great sums spent on the service of debts and on pensions, together with the civil service expenditure on the normal functions of Government—for instance, justice, education, and so forth—cannot well be reduced, and these amount to a very large proportion of any budget.

But large economies can certainly be made, if it is determined, first, to reduce expenditure on armaments; secondly, to abolish all such uneconomical expenditure as unemployment doles, subsidies on bread, coal, housing and so forth; and thirdly, to raise railway rates, postal rates and other government charges sufficiently to cover the cost of the service given. All such uneconomical expenditure, if persisted in, must result in undue consumption and further inflation through an increase in government expenditure unbalanced by revenue. The more they are indulged in the more difficult they are to dispense with.

Any large reduction in the expenditure of Governments can only come, therefore, through a change of policy, a determination, so far from extending, to diminish the sphere of government activity. "Give me a sound policy," is a well-known saying, "and I will give you sound finance."

It is idle to disguise from ourselves the difficulties of the task. It is a paradox of the situation that, urgent as is this limitation of expenditure on financial and economical grounds, the whole force of public opinion still seems to be exerted in the opposite direction. The war has led to an almost universal demand for the extension of government functions. Everyone has grown accustomed to State assistance and State activity. Socialism and nationalisation are the



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order of the day. The manual workers, at any rate in some of the victorious countries, were encouraged to expect, and do expect, some new way of life ; some great betterment of their lot. These changes, they believe, at any rate in my country, can be achieved if the system of private industry is replaced by some sort of Government or common ownership. They do not realise the hard truth that no system can immediately restore capital that has been destroyed, and that, whatever changes are made, a better life can, owing to the losses of the war, be now only reached through labour and suffering. Many social reforms await fulfilment, but the first of all, on which all others depend, is sound finance and a stable currency.

One urgent task—namely, the reduction of armaments—can only be tackled by all Governments jointly. Europe, it is estimated in the figures provided by the Secretariat of the League of Nations, is spending to-day on armaments, calculated at pre-war prices, at least as much as and, indeed, still more than she was spending in 1913. It is a burden she cannot support.

Apart from the limitation of expenditure, another important function of public finance is to provide not only the interest upon, but also a definite sinking fund to redeem gradually the funded debt ; and to fund as soon as possible the floating debts, which at present form a danger to financial stability. Financial stability and confidence can never be restored so long as Governments are faced with the risk of having to meet enormous demands for the repayment of short dated debt by the issue of additional paper currency. But it should be observed that only when it is provided out of an actual surplus of revenue over expenditure does the application of a sinking fund to the funded debt actually reduce debt. The funding of the floating debts, failing any possibility of reducing them out of revenue, or by methods of compulsion, is contingent on the confidence which the people of a country feel in its Government and in the power of that Government to attract its people's savings towards long dated public loans. There are many advocates of compulsory methods, such as a capital levy or forced loan, to secure an immediate large reduction in the debt. It is questionable whether such methods are from the practical point of view likely to show advantages over a more gradual process.

The Governments of all the great belligerent countries must also undertake the solution of the problem of their external debt, reparation being from this point of view tantamount to the external debt of Germany and Austria. The largest creditor of the allied nations is of course the United States, to which nearly \$11,000,000,000 was owing on March 1, 1920. It is interesting to note that the total European imports to the United States in 1919 were in value \$750,000,000, representing, if they were all available in payment of interest upon and redemption of debt, a return of a little under

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7 per cent. For two reasons, however, this is not a fair criterion of Europe's capacity. In the first place, 1919 being the first year after the war, is not a representative year, and in the second place, Europe's capacity to repay the United States depends not only on her exports to that country, but on any favourable balance she may have in other countries as well. Nevertheless it is obvious to everyone, debtor and creditor alike, that time for the repayment of these debts must be given. What is required in the interest of public finance and of the financial community as a whole is certainty, and that these and other foreign debts should be funded and the redemption dates fixed definitely. Unless this is done every Government is left in a state of harassing uncertainty, which undermines confidence and tends to affect adversely the situation.

During the war the belligerent Governments paid little or no heed to economic laws. Their objects were to concentrate all the economic power of their own people on war-like energies and to destroy the economic power of their enemies. Many restrictions were therefore imposed on free dealing and free trade internally and many measures adopted, such as the limitation of the rent of houses, or the imposition of maximum prices, or the control of capital issues or of the exchanges, which were designed either to prevent the full force of the true economic situation from falling on the mass of the people, or to limit all national activities to war. Similarly there were many restrictions of external trade, extending in the case of the enemy to complete cessation of all relations and to confiscation of private property.

There are many relics of this system so far as internal conditions are concerned. It is certain that, from the point of view of the rapid production of wealth, the interference by Governments with ordinary economic laws is almost wholly mischievous. It is no doubt true that the circumstances produced by the war and these exceptional measures are so abnormal that complete freedom—for instance, in gold movements, or in certain exceptional cases as regards the price of food or other articles—can only be restored gradually. There may also be cases where some restriction is necessary—for instance, in order to prevent the export of capital to escape taxation, or where the external value of a currency is much below its internal value. For in such a case a country may be drained of its resources by the bonus on export, as happened in what is known as Germany's "clearance sale." But in general these restrictions give rise to a constantly growing series of other difficulties. It should, therefore, be the aim of Government to give back freedom to individual initiative in all matters of finance, commerce and industry with the least possible delay.

So far as international relations between one country and another are concerned, the difficulties are greater and the evils of



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the present situation still greater too. There is far less freedom of trade between the countries of Europe now than before the war. Inter-state rivalry is far more acute, and there are far more states to be rivals. Among many states it seems to be considered the height of economic wisdom to reserve the resources of the state exclusively to its own citizens, or, if its products are allowed to be exported, to distribute them according to political considerations. If all these countries were as prosperous as they cared to be, then political considerations might be allowed to govern. But they are ruined, and the resources they each possess within themselves can never suffice to extricate them from their difficulties. Thus their only salvation is freely to trade with one another and so pool their resources. No recovery on other lines is possible. Europe must have real peace and real international co-operation. This is the conviction that deepens on me personally every day. I am here representing no particular country, but free to regard the problems before us as a citizen of Europe. I live my life in the profession of international banking, and day by day my business brings me in touch with many aspects of international economic relations, and proves to me that by far the greatest obstacle to the resumption of normal conditions is Europe's political instability and uncertainty, which clouds every international business transaction with a risk that no man of business is able to measure. My experience convinces me that Europe has two paths only open to her. Either she may take the path of despair and assume that the sort of peace we have now is merely an interlude between wars, or she may take the path of hope and accept the risks of mutual trust, Government between Government and nation between nation. In the first case I see no hope either of real economic recovery or of a stable future for western civilisation. If she chooses the second path, the pessimists may still be right. Our divisions may be too deep and in our mutual trust we may be deceived. But even then we shall be no worse off than if we had taken the other path, and at least we shall have given ourselves the chance of success. But I myself am an optimist. I lived many years of my life in South Africa and have seen for myself the wonderful results of mutual trust between former foes. Inevitable difficulties recur, and it is many years, indeed generations, before the past is obliterated. But if the seed is once well sown the tree will grow.

## THE ANGLO-JAPANESE ALLIANCE

ON July 13, 1911, the Anglo-Japanese Alliance was renewed for a period of ten years. To bring it to an end, however, on July 13, 1921, notice of intention to terminate had to be given by one of the contracting parties twelve months before that date. If no such notice is given the Alliance continues automatically until it is brought to an end by either party giving twelve months' notice. This notice can be given at any time, though if either of the parties are at war on the expiration of the twelve months, the Alliance continues until peace is concluded. In point of fact no notice of intention to terminate has been given by either party. That is the technical position. But it is obvious that a deliberate decision must be come to as to whether the Alliance is to be renewed. It is far too important a question to be allowed to drift, and the short official joint communication from Spa, which appeared in the papers of July 15, recognising the necessity of making the Japanese Treaty conform to the spirit of the Covenant of the League of Nations and referring the question of whether it was consistent in its present form, proves that the two parties are already considering the question. The addition of the words "if the said agreement be continued after July 1921" in the *communiqué*, still further emphasises the fact that the question of a further renewal is an open question.

In order to weigh the arguments for or against renewal, it is necessary to examine the reasons which led



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to the original Alliance and to its subsequent renewal. The original treaty was made in 1902 for five years, at a time when the steady march of Russia eastwards, and her threat to occupy Korea and to menace the independence and future of Japan was rapidly banking up the clouds of war. Its object was to keep the *status quo* and the general peace in the "Extreme East," to preserve the independence and territorial integrity of China and Korea, and to secure "the open door" in those countries. The treaty provided that, in the event of either party becoming involved in war in defence of its respective interests (the treaty, while disclaiming aggressive intentions, recognised that Japan had special interests in Korea and Great Britain in China), the other party undertook to remain strictly neutral and to try to prevent third parties from joining in. If either party, however, were to be attacked by more than one power, the other was obliged to come to its help, and to conduct the war and make peace "in common." Our own object in making the treaty was to prevent a general Armageddon as a result of European intervention in the approaching struggle. The recent occupation of Kiaochow by the Germans and of Port Arthur by the Russians (followed by our own occupation of Wei-hai-Wei) showed how real a danger this was. It would have probably led to the break-up of China, closed the "open door," and made the Far East a cockpit for international disputes. The British, therefore, desired that the obviously impending struggle between Russia and Japan should be isolated. Japan too, remembering the earlier European intervention against herself, above all things desired the ring to be kept for that struggle. The treaty served its purpose. The war remained a duel, in which the Russian advance in Korea was defeated and Japan, and not Russia, became the predominant influence in that country, in Manchuria, and Port Arthur.

Just at the close of the war, however, on August 12, 1905, the Alliance was renewed in a stronger form for a further

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period of ten years or longer if not denounced, by a treaty which differed in several ways from the earlier treaty. Peace in the East, the integrity of China, and the maintenance of the "open door" were the declared objects. The field was, however, no longer simply the "Extreme East," but "the region of Eastern Asia and India," and the special interests of the two parties there. The independence of Korea was dropped, and Japan's supremacy recognised in that peninsula, though the principle of the "open door" was to be observed there as well as in China. Unlike the first one, this treaty compelled either ally to assist the other, if even a single power should attack its interests in "the regions of the Far East and India." Our own motives for making the new treaty were different to those which led to the first, for the situation had changed. Japan and not Russia was now the predominant power in the Far East; Russia was impotent from defeat and revolution. Our chief concern was to maintain peace in the Far East, and to obtain guaranteed security for British territory and for the "open door" in China, because of our preoccupation with the rise of German naval power. So long as Japan was friendly our position was secure. If she was unfriendly, an alliance between Germany and Japan might prove a formidable, indeed a fatal menace. Such were our reasons for the Alliance; for it secured the friendship of Japan and freed us from the necessity of keeping more than a skeleton force in eastern waters in order to defend the Dominions and India. The Alliance was no less valuable to Japan, because it gave her prestige and influence in the world, and also ensured her the peace and time in which to recover from the Russian war, and to consolidate her position on the mainland of Asia, as against the interference of either Germany or Russia. In her case also it was invaluable to have the friendship, and not the possible hostility of the greatest naval power in the world.

The next change took place in 1911, in which year, as already mentioned, the treaty of 1905 was replaced by a new



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agreement providing that the Alliance should continue for ten years from that date or longer if not denounced twelve months before its expiration. In the preceding three years a good deal had happened to change the situation. For one thing, Japan and Russia were now no longer opponents, but had come to a working agreement in Manchuria. China herself in the meantime had shown signs of recovery, and the idea of her dismemberment had sunk into the background. Korea, on the other hand, had in August 1910 been annexed by Japan. We ourselves, too, had come to an arrangement with Russia about both Persia and Afghanistan, which removed any anxiety about the Indian frontier. In Japan itself national sentiment and ambition were on the upward grade, and bad feeling had begun to grow up between herself and the United States, partly as a result of Asiatic immigration difficulties on the Pacific slope, and partly on account of commercial disputes about China.

But the most vital factor of all, from the British point of view, was the continued increase of the German fleet and the menacing attitude which had already led to the first great European crisis in 1908. This consideration by itself made a renewal of the Alliance essential in order that the hands of the British Empire might be free to meet the oncoming German storm. By this time, however, the Dominions had asserted their right to consultation about foreign affairs, and it was necessary to obtain their concurrence in this policy, because they were at this time prejudiced against it owing to their determination to resist Asiatic immigration into their territories. This feeling was based not upon hostility to Japanese or Chinese as such, but on the conviction based upon experience that the intermixture of Asiatic and European stock in any new country was bad for both, and led to social and economic problems of an almost insoluble kind. At first the attitude of Japan had been accommodating. Thus, in 1896 she had agreed to make a commercial treaty giving the

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Dominions the right to exclude her labourers and artisans. But as her prestige and national pride grew with her material power, and as the problem of providing for her own surplus population became more pressing, this attitude changed. Not unnaturally she felt that the exclusion of Japanese from new countries was a stigma which she could not but resent. Moreover, the right of her people to emigrate was of real value to her at this stage, as they were in the habit of returning with the money they made to Japan, where the standard of living was low and money relatively scarce. Her merchants and shipping companies also profited by the movement of emigrants to and fro. In 1907 she had indeed changed her old attitude so far as to refuse even to discuss the question of the Dominions' right to exclude her labourers and artisans. Though the Dominions never changed their fundamental point of view, it had sometimes taken a more uncompromising form than it did at others. Thus, at the Colonial Conference of 1897 all the Dominions except Queensland, which later on also seceded, decided to refuse to accede even to a treaty in which Japan was willing to have a clause inserted providing that it should not affect "the laws, ordinances, and regulations with regard to trade, the immigration of labourers and citizens, police and public security which are in force or which may hereafter be enacted." But ten years later trade with the Far East had developed, and Canada showed herself ready to take part in the 1894 Commercial Treaty even without the insertion of such a protecting clause. She repented, however, of this six months later, for the treaty gave the Japanese the usual right of entry, and 10,000 Japs entered the Dominion in a single year. Canada might have terminated the treaty by giving six months' notice of her intention to do so. This, however, would have deprived her of commercial advantages, so she entered upon negotiation instead. Thanks to the Alliance she succeeded, and the Japanese Government, though it gave nothing away in principle,



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declared its intention of voluntarily restricting Japanese emigration to Canada, which it has done.

Accordingly when the question of renewing the Alliance came up in 1911, the subject was discussed at the Imperial Conference held in that year. This was necessary not only to carry the Dominions on the question of policy but also because their co-operation was essential in order to make the Alliance work, for the arrangement about the immigration of Japanese, inasmuch as it depended on the voluntary attitude of the Japanese Government, might break down if similar restraint and goodwill were not also exercised in Australasia and Canada. The Conference of 1911 approved the Alliance—though Australia abstained from voting—no doubt principally because of the German menace.

In general the 1911 treaty followed the terms of the treaty of 1905. No separate arrangement, however, was to be made with another power without consultation. And then came an entirely new and most important stipulation. It reads as follows:—

“ IV. Should either High Contracting party conclude a treaty of general arbitration with a third power it is agreed that nothing in the agreement shall entail upon such contracting party any obligation to go to war with the Power with whom such treaty of arbitration is in force.”

The reason for this section was that Great Britain wished to make it clear that under no circumstances would it be drawn into a war with the United States. Inasmuch, therefore, as it had negotiated a treaty of arbitration with the United States, its neutrality would be guaranteed in a possible Japanese-United States war by this clause. As a matter of fact the clause never became operative, for the arbitration treaty was “ turned down ” by the Senate in March, 1912.

There is no doubt that the Anglo-Japanese Alliance of 1911 fulfilled its fundamental functions. It brought Japan into the war on the side of the Allies ; it secured

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the Eastern possessions of the British Empire from hostile attack, save in a slight degree by Germany itself; it preserved the peace of the Far East. On the other hand, it gave to Japan the full opportunity for peaceful development and consolidation which she desired, and led to her taking her place as one of the five directing nations of the world in the Peace Conference of Paris. Only so far as China is concerned has its efficacy been doubtful. At a certain period of the war the Chauvinist party got into control in Japan, and the presentation of the famous 21 demands to China in 1915 was a deliberate step by that party towards the establishment of absolute political, military, and economic control over China by Japan. Fortunately the intervention of the British Empire, supported by that of the United States, secured the withdrawal of the more extreme demands, and the policy of subsequent governments seems to have been to restrain the Chauvinists' aspirations. But the action of some Japanese in China has admittedly been very objectionable, and there are those who declare that the chaos and disorder from which China now suffers is at any rate in some measure due to Japanese intrigue.

## II

**T**HE question now remains, should the Alliance be renewed?

Three great changes have come about in the conditions which produced the Anglo-Japanese Alliance in 1911. In the first place, the military and naval power of Germany has disappeared, and with it the menace to the freedom of Europe. The British Empire, therefore, is now free both to diminish its swollen expenditure on armaments and to distribute its military and naval forces more or less without regard to the European situation.



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In the second place, the Russian Empire has disappeared. Bolshevik Russia is still a menace to its neighbours, but its menace is due to propaganda rather than to military power. Japan, therefore, is confronted by no great military power which could possibly threaten her independence or development.

In the third place, the Treaty of Versailles and the constitution of the League of Nations has introduced a new principle into the conduct of international affairs quite different from that on which the Anglo-Japanese Alliance was based. The Anglo-Japanese Alliance was formed at a time when peace was maintained by the balance of power, and not by any collective attempt to bring reason and goodwill to bear on the solution of international questions. It secured the peace of the Far East by making it clear that anybody who interfered with it would have to meet the combined forces of the British Empire and Japan. The Covenant of the League of Nations attempts to substitute a new principle. It aims at the diminution of armaments among all nations. It attempts to obviate war by creating machinery under which all members of the League bind themselves, before taking military action, to submit their disputes to some kind of impartial and independent investigation. It recognises that peace and international freedom are the common interest of all nations, and through the machinery of the League endeavours to secure that the policy of all nations shall be directed in accordance with the common good of mankind, and not by a mere consideration of national interests. Finally, it makes both Japan and Great Britain members of the Council of the League, whose function it is to concert with the other powers the measures necessary to protect the peace and freedom of all nations, including those of the Far East.

These changes in the situation, however, have not wholly removed what was perhaps the strongest argument for the Alliance in 1911, namely, that it was to the interest both of Japan and the British Empire to be friends in the

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Far East, and that if there was no openly recognised and publicly defined treaty of friendship, there was risk of the two countries drifting into an attitude of suspicion and hostility to one another. The fundamental interests of the British Empire in the Far East are exactly what they have been during the last ten years. They are peace and security for British territory, good relations with all Far Eastern powers, the "open door" for trade with China, and the establishment of a capable and progressive Government in China itself. These objects have been, most of them, achieved—subject to the qualification mentioned above—by the Alliance in the past. Can they be best achieved for the future by its renewal?

Before an answer can be given in the affirmative, there appear to be two conditions which must be fulfilled. In the first place there must be a clear understanding between the British Empire and Japan, that Japan really wishes to establish a stable and independent Government in China, and is willing to live up to the principle of the "open door" for the trade and commerce of all nations within it. That Japan will always have a predominant position in China is certain. Her geographical position ensures this, provided that her policy towards China is benevolent and not rapacious. Nobody grudges her a position of exceptional authority and influence in China, but other nations could not acquiesce in her claiming for herself any exclusive privileges, and still less in her attempting to establish any direct or indirect authority over Chinese affairs. An essential condition of the renewal of the Alliance, therefore, must be that Japan accepts completely the policy of loyally endeavouring to set China on its legs, trusting to the advantages of her natural position to secure for herself the great economic benefits which will accrue to her from the development of China, and the legitimate influence in China which a benevolent Japan is bound to possess. The second condition necessary to the renewal of the Alliance is that it should not lead



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to misunderstandings or disputes with other powers. The real danger of renewal is that it may lead to a counterbalancing combination between China and the United States. Nothing could be worse for the future of the British Empire or Japan than that they should drift into a position in which they were placed in opposition to the United States and China. So long as both Great Britain and Japan loyally live up to the principles which originally underlay the Anglo-Japanese Alliance, and the Government of Japan sets its face resolutely against the policy represented by the 21 demands, there is nothing in the Alliance which is hostile either to the interests of the United States or of China. But the negotiation of an alliance between two powers which cannot fail to affect the interests and the future of its neighbours, is bound to arouse suspicion and possibly hostility, unless it is done with their knowledge and consent.

The conclusion, therefore, which we reach is, that before the Alliance is renewed, the whole Far Eastern question should be frankly and openly discussed, if possible at a conference at which the United States, Japan, China, Great Britain, Australia and New Zealand, Canada, South Africa, and India, and, if possible, France and Russia, should be represented. There is everything to be gained by a frank exchange of views on the Far Eastern situation between these powers, all of whom are more or less directly concerned. It might be that, as a result of such a conference, it would be possible to extend the scope of the Anglo-Japanese Alliance in such a way as to reach an all-round agreement in complete consonance with the Covenant of the League of Nations, which would have the effect of securing both to Japan and to the British Empire the advantages of the 1911 Alliance, with none of the disadvantages to which a precipitate renewal of this Alliance at the present time might lead. It might not only give security for the peace and the development of the nations of the Far East, but it might also lead to a better under-

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standing between Japan and the New World on such questions as immigration. On the other hand, if it was eventually decided to renew the Alliance, perhaps in the form of a treaty of friendship, it would have been made clear to China and the United States that its renewal did not threaten their interests, and was in no sense hostile to them, and the principal objection to immediate renewal would thus have been removed.

The question of the renewal will not be finally settled for at least another six months. For the League of Nations has to report on the question submitted to it, and the question must also clearly be discussed at the Imperial Conference which is to assemble some time before the middle of next year to discuss Imperial problems. The decision will carry with it far-reaching results for the future of all the nations concerned, and it is therefore important that people in every part of the British Empire should begin to consider the matter in order that when their representatives assemble next year with the object of arriving at a conclusion, they may have before them the considered judgment of the people of the Empire.



## PROBLEMS OF EUROPE

### I. THE POLISH LITHUANIAN DISPUTE

THE dispute between the Poles and the Lithuanians on the question of Vilna and the surrounding territory is of long standing. When the new Polish State came into being in November 1918, there was no clear understanding as to where the eastern frontiers were to be drawn. During the first few months after the Armistice Poland was busy organising her army and her administration, and had little or no breathing space with the Bolshevik armies in the neighbourhood of Brest-Litovsk and Byelostok. The Russo-Polish war was still in its early stages, neither side as yet possessing well-organised armies, but the Poles showed their military superiority in the steady advance eastwards, first to Vilna in April, and then to Minsk in August 1919. It was with the occupation of Vilna in April 1919 that the Polish-Lithuanian dispute came to a head. Lithuania claimed Vilna as her historic capital, Poland, as one of the chief centres of Polish culture, and the centre of a district from which many of the greatest names in her history had sprung.

When the German armies, in the course of the war, had occupied Lithuania, the German authorities had allowed a so-called National Council or Taryba to be formed. The Germans had only intended to give Lithuania a semblance of independence, their true intention being to germanise her as thoroughly as they intended to germanise Latvia and Esthonia. These plans came to an

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abrupt end with the defeat of Germany, which, in the case of Lithuania, was followed by the establishment of a National Government with its capital at Kovno. To the Lithuanians Kovno, a small provincial town without any claim to become a capital, was but a stepping-stone to Vilna. The disadvantage of Vilna as the capital, on the other hand, was its geographical position outside the strict boundaries of ethnographic Lithuania, and having a mixed Polish, Jewish, and White Russian population in which the Lithuanian element was the least important. It was inevitable, therefore, that the claims of the Lithuanians should bring them into conflict with the Poles, who, one and all, regarded the future Polish State as incomplete until Vilna had been incorporated in Poland in one form or another. Thus, as soon as the Polish army had advanced to the frontiers of ethnographic Lithuania, and had occupied the disputed area between Grodno and Vilna, hostilities occurred between the two sides. The Allies had to patch up the quarrel on two separate occasions by drawing temporary lines of demarcation, generally known as the Foch lines, the second line, extending a few kilometres north of the Grodno-Vilna railway, being that held by the Polish army until the summer of 1920.

With the Bolshevik offensive in June and July 1920, the situation was radically changed. The Poles were driven not only from Vilna and Grodno, but also from the district of Suwalki, which had been assigned to them by the Supreme Council in Paris as forming part of ethnographic Poland. At the same time peace was concluded between Soviet Russia and Lithuania, and was signed on July 12 at the height of the Polish retreat. By their peace with the Soviet Government, the Lithuanians were assigned not only the whole of the disputed area between Vilna and Grodno, including both these towns, but even the northern district of Suwalki. The Lithuanians, in return, pledged themselves to neutrality in the Russo-Polish war, but were obliged, through *force majeure*, to allow the Vilna-



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Grodno railway to be used by the Red Army for the transport of troops. The attitude of Lithuania during these weeks led to a violent torrent of abuse from the Poles, who accused the Lithuanians of abetting the Bolsheviks in their attempt to capture Warsaw and stamp out Polish independence.

By the middle of July the Polish armies rallied and began to drive the Bolsheviks back. Ethnographic Poland was cleared of the enemy troops with the same rapidity with which it had been occupied by them, and within a few weeks the Poles were again approaching the area in dispute between the Lithuanians and themselves. The Lithuanians had meanwhile occupied the whole of the territory assigned to them by their peace treaty with the Soviet Government, and with the advance of the Poles they became uneasy. On August 27 the Lithuanian Government sent a telegram to the Polish Government proposing that Polish troops should not advance in the Suwalki district beyond a line running through Grabowo-Augustowo-Sztabin. The Poles paid no attention to this message, and three days later crossed the Augustowo canal, attacking the Lithuanian troops stationed there. They then pushed on and occupied the greater part of the Suwalki district, including the towns of Suwalki and Sejny. During the next few days intermittent fighting occurred in this region, while the Allied Governments made attempts to mediate. It was not, however, until September 9 that both the Polish and Lithuanian Governments agreed to meet at Kalwarja in Lithuania in order to establish a new demarcation line. At the same time the Polish Government took the step of appealing to the League of Nations, while the Lithuanians suggested a conference in London.

On September 14 hostilities ceased on both sides, and on September 16 the Conference opened at Kalwarja. The Poles immediately presented the Lithuanians with an ultimatum demanding that the Lithuanian troops should withdraw from the whole of the Suwalki district. To this

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the Lithuanians replied that their troops would withdraw but the intervening country was to be considered a temporarily neutral zone. The Poles refused this, and their representatives returned to Warsaw.

The next development in the tangled history of this conflict was the Ninth Conference of the Council of the League of Nations in Paris on September 20, where proposals were made to both sides for the cessation of hostilities in the disputed area. The Lithuanians agreed to adopt provisionally the line of the Supreme Council and withdrew their troops to the east of this line, while the Poles pledged themselves to observe the neutrality of the territory occupied by Lithuania to the east of the Supreme Council's, or, as it is sometimes called, the Curzon, line, on condition that similar neutrality was observed by the Lithuanians towards the Bolsheviki. Only two days, however, after the acceptance of this decision in Paris, hostilities again broke out by the unprovoked attack of the Poles on the Lithuanians at Kopociowo. The Polish excuse for this new attack was the necessity of occupying Grodno, an important junction, in order to break up Bolshevik concentrations against them. On September 25 Grodno was captured by the Poles, and the latter promised to evacuate the portion of Lithuanian territory which they had crossed in the course of their offensive. Whatever the reason, the Polish attack was a flagrant violation of the agreement made at Paris, and the Lithuanian Government made an appeal to the League, asking for an immediate meeting of the Council of the League to consider the new situation. This action, however, was rendered unnecessary by the Polish proposal to hold a conference with the Lithuanians at Suwalki, which was accepted by the latter.

On September 30 the second conference between the Poles and Lithuanians took place at Suwalki to discuss the question of a demarcation line. During the next week there were hot disputes about the line, and isolated cases of fighting occurred. Finally, on October 7, an armistice



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was signed and a partial line of demarcation fixed. A Commission of the League of Nations, which by this time had arrived at Suwalki, was preparing to map out the line farther east, in the direction of Vilna and beyond, but on October 9 Vilna was suddenly occupied by Polish troops under General Zeligowski in defiance of the orders of the Polish authorities. The troops which took part in the *coup* formed the so-called Lithuanian-White Russian Division, which had been fighting with the Polish army, and consisted of Poles from the districts of Vilna and Grodno. The Polish Government had given the Allies repeated assurances that Vilna would not be occupied by the Polish army, but Zeligowski and his followers broke away from the regular army and took matters in their own hands.

Zeligowski's high-handed action placed all parties in an extremely difficult position. Warsaw made no attempt to conceal the universal feeling of satisfaction that Vilna was again in Polish, even though officially called rebel, hands. And yet the Polish Government could not give official countenance to an act which it had solemnly condemned in advance. The Allies could not help viewing the matter with profound suspicion, and, while acquitting Prince Sapieha, the Minister for Foreign Affairs, of any hand in the matter, they were, to say the least, doubtful whether other elements in the Government had not connived at Zeligowski's action. They could not, however, go farther than demand a statement from the Polish Government that the latter dissociated itself entirely from Zeligowski, for the matter was now in the hands of the League of Nations. The latter body was preparing to hold a meeting of the Council at Brussels, and it was agreed that the question should be dealt with there.

On October 27, the League of Nations gave its decision. It laid down as the basis for a settlement the acceptance of a plebiscite for the whole of the disputed area east of the line assigned to Poland by the Supreme Council in Paris, that is to say, roughly, the whole of the territory from

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Grodno through Vilna to Dvinsk. Provided both Governments consented within ten days the League would then take steps to disarm any troops in occupation of this area, so that the plebiscite might be held with the least possible delay.

We are still, therefore, at the time of writing, only on the threshold of a solution of this question. The plebiscite alone, even supposing that it can be carried out, will not provide a solution. Any frontier that may here be drawn will satisfy neither party, and will not lead to any improvement in their relations. It is a question whether it would not at this stage be more statesmanlike to view the present dispute as part of a larger question, not only concerned with the drawing of frontiers but with the regulation of the future relations between both countries. It is impossible to say what will be the relations of the three Baltic States to their great neighbour, or to what extent those relations will affect their independence, either in the economic sphere or otherwise, until we know what is going to happen to Russia itself. Esthonia and Latvia are linked up economically with her both now and in the future; much less so Lithuania. The latter is a rich but backward country. Her present position is not clearly defined, and until she can come to some stable agreement with Poland there is little security for her in the immediate future. Lithuania has in Memel a good port which, if she entered into some form of federation with Poland, would benefit greatly by the transit trade with her more powerful neighbour. By sinking her differences with Poland and taking a longer view of the future, not only would she obtain Vilna and the other territory she disputes with Poland, but would secure a speedy settlement which, recognised as it would be by the Allies, would enable her to devote her energies to economic reconstruction, the primary and most important task in the sorely harassed countries of Eastern Europe.



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## II. THE LITTLE ENTENTE

THE old Austria has disappeared, but Europe has not been long in finding it necessary to invent a new one, or at least to bring into existence a combination of States which may easily grow into something like it. Passing judgment at this time of day, coolly and from a distance, on the movement for the destruction of the Austro-Hungarian monarchy, it is impossible not to remark that the nationalist passions which produced that great—and, let it be admitted, fated and inevitable—disruption were such as to blind the protagonists of the Succession States to its economic and politico-economic consequences. Austria-Hungary was a more or less compact economic unit; the two natural functions of Vienna, determined by its geographical position and a great and ancient tradition, were, first, that of grouping around itself a number of states too weak to stand by themselves, second, that of serving as the mediator—political, economical and cultural—between the Balkans and the West.

Two tendencies were fated to destroy the equilibrium these facts connote. The first was the inordinate ambition of Berlin, through which Vienna was seized upon as the outlet by which German expansion to the whole of South-Eastern Europe and beyond might be facilitated; the second was that considerable territories included in Austria and Hungary seemed destined to form part of neighbouring States, and to leave *terre irredente* on all sides—Slovakia and Transylvania in Hungary, Poland and Croatia in Austria. It was political foresight that lay behind the schemes of Franz Ferdinand; it was political foresight, and not merely cynicism, that prompted Konrad von Hoetzendorf, before the war, to urge the absorption of all the Southern Slavs. Considered from the point of view of

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human destiny, it was the tragedy of the Dual Monarchy that nationalist aspirations among its members were too powerful for the pillars of the edifice to resist, too weak to support them against pressure from Berlin. The foundations of the Confederation of Europe, particularly in the south-east, were never very stable. They began to yield when the Emperor Francis Joseph died, and now they have been swept utterly away.

The statesmen of Czecho-Slovakia, and in particular Dr. Masaryk and Dr. Benes, were the first to see the necessity of laying new foundations. Before the war ended and the downfall of Austria-Hungary came to be an accomplished fact they were at work. Plans were drawn up providing not merely for the economic independence of Czecho-Slovakia, but also for an eventual working agreement between the Slav States of the Dual Monarchy. The aim was at first purely political. It was intended to form a solid block of States stemming the German advance to the East. At the end of the war, however, several factors contributed to modify the exclusively anti-German character of this plan. The first was the perception of the fact that Czecho-Slovakia, nearly surrounded as she is by Germany, containing a considerable body of German population who looked towards Berlin far more than towards Vienna, could not afford to maintain a standing hostility to a German Government, even though supported by Yugoslavia and Rumania. Next, there was the problem of the "Anschluss." If, in accordance with the Treaties of Versailles and Saint Germain, Austria was not to join Germany, there must, it was seen, be an alternative. French policy was credited with the idea of making this alternative a confederation of all the Danubian States, with the addition, favoured by French Nationalists, of a Rhineland Republic, creating a solid ring, at once anti-Prussian and anti-Bolshevik, round Germany. This has not found favour among the states who were expected to fit into the scheme. It has, for example, been declared impracticable



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by Dr. Benes ; there is little support for it in Rumania or Jugoslavia ; while, as for Austria, she may well have, in the course of the next few months, a plebiscite on the "Anschluss" question resulting in favour of adherence to Germany. That danger, however, is as yet too remote for all its implications to be realised, and Czech policy is up to the present favouring economic and political agreements with Austria.

The third factor, the most important of all, intervened about a year ago, to increase not only Czech-Austrian *rapprochement*—Dr. Renner's visit to Prague last December was the outward sign—but also that general sense of solidarity among the Succession States which was to lead to the Little Entente. That factor was, of course, Hungary. This country, in a fierce reaction against the horrors of the brief Communist *régime*, had developed a more intense and self-assertive nationalism than even she had manifested before. Such is the inextricable mingling of races on the Hungarian borders that full justice to Rumania and Czecho-Slovakia could only be secured by the withdrawal, in each case, of a large number of Magyars from the rule of Budapest. Magyar pride had never received such a blow, and a formidable military and political intrigue was the inevitable result. Under Admiral Horthy's command the Hungarian army regrouped itself ; it was, perforce, small, but it was loyal, well organised, and its three aims were the extermination of Communism within the boundaries of the country and without, the restoration of the Hapsburg dynasty within Hungary itself, and later perhaps elsewhere, and the eventual restitution to Hungary of her lost territories.

The Entente could not at first afford to contemplate this new development with anything but a certain guarded acquiescence. It is true that the Supreme Council issued an absolute prohibition against the re-establishment of the Hapsburgs, and that measures were taken to check the persecution of which certain fanatical officers under Admiral

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Horthy were guilty. But as long as the Hungarian army was efficient and loyal, there could be no repetition of the Bela Kun *coup d'état*; a second experiment of that kind would probably drag Austria, Rumania, and Czecho-Slovakia down in the general ruin, and this was for a time, as the Hungarians well knew, the chief preoccupation of the statesmen of the Entente. The incalculable perils which might arise out of a Bolshevised Hungary could not be risked, and the result was a certain tolerance of Hungarian jingoism. During the conferences in which the Peace Treaty with Hungary was discussed it looked as if this tolerance might extend to the political and military terms of a settlement. There was naturally enough great alarm in the countries which stood to gain most from the peace; Czecho-Slovakia, Rumania and Jugoslavia stood shoulder to shoulder; they pressed their claims in common, they presented their views in joint memoranda. Their solidarity had its reward; the claims of each were satisfied practically in full.

But the necessity for co-operation did not disappear when the Treaty of Trianon was agreed upon and signed. The Russian Bolshevik menace seemed likely to provide another opportunity for Hungary to evade her obligations. There were disquieting rumours of commercial concessions to the French in Hungary, of Hungarian willingness, on conditions, to take the field with Poland, while in return she was to receive permission to increase her army, and a promise of political influence with a view to the modification of the most oppressive territorial terms of peace. The three Succession States were by this brought together again. Czecho-Slovakia took the lead in announcing her neutrality in the Russo-Polish dispute, the first plain intimation of independence. In July, during the Sokol festival in Prague, there were unofficial conversations between Czech, Rumanian and Yugoslav politicians. These were followed by a visit of Dr. Benes to Bucharest and Belgrade. The foundations of the Little Entente were laid. On his



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return to Prague on September 1, Dr. Benes made the following statement :—

The establishment of the Little Entente aims at calming the turbulence and nervousness of Europe, and above all at ensuring guarantees of peace. The states forming part of the Little Entente share a desire for peace with Hungary. But the social structure there, her system of government, her methods of warfare, not having undergone any change, her neighbours find themselves constantly threatened with aggressive action on the part of Magyar rulers. This has led to the union of these states, with the object of common action to enforce the execution of the Treaty of Trianon and to secure peace in Central Europe. The Little Entente also aims at making the restoration of the monarchy impossible. If Europe is to be saved from disintegration it is essential that Czecho-Slovakia, Rumania and Jugoslavia shall establish a community of interests and a common policy. Germany, though occupied with healing the wounds of war, is determined to intervene in international affairs at the first favourable moment, and with all her strength.

The *rôle* of traveller in the interests of the Little Entente was next taken up by M. Take Jonescu. This far-seeing statesman seemed to have allotted himself the double task of making the understanding much wider than Dr. Benes had evidently contemplated, and secondly, of bringing it more into line with the policy of the Great Entente. In a speech made in the Rumanian Chamber of Deputies, during the discussion of the Treaty of Trianon, M. Take Jonescu said :—

Dr. Benes, Foreign Minister of Czecho-Slovakia, has proposed an alliance to Jugoslavia. Greece is already bound to Jugoslavia by a treaty of alliance, and the existing relations between Czecho-Slovakia and Poland constitute the basis of an imminent understanding.

At Aix-les-Bains, after his conference with Signor Giolitti, he gave the following statement to a representative of a Marseilles paper :—

The Little Entente, which at present comprises Czecho-Slovakia and Jugoslavia, ought to embrace—and for my part I shall spare no efforts to attain this object—Poland, Czecho-Slovakia, Rumania, Jugoslavia and Greece; that is, all the victorious states from the Baltic to the Ægean. To those who can calculate this connotes 80,000,000 inhabitants, and if need be 10,000,000 soldiers.

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In Paris and London the same idea was developed. As for the suggestion that the Little Entente was originally prompted by anti-French motives, by a desire on the part of the small states to free themselves from Western tutelage, M. Take Jonescu will have none of it. On the contrary, as he explained in a most comprehensive interview given to the newspaper, *Paris-Midi*, of October 5, he counted on France as the "most powerful lever" for bringing Poland into the alliance. Of Italy, whose ultimate friendly agreement with Yugoslavia he predicted as quite certain, and of England he was sure. "The five states," he said, "whose union I foresee, form a barrier from the Baltic to the Mediterranean, and this is the counterpart of the rôle played by France and her allies in the West. The Little Entente, founded in order to obtain respect for the five treaties signed in France, will model its policy on that of the other allies. If the case were otherwise it would not exist for a week."

It is when we read words like these—and M. Jonescu has made many similar statements in the last few weeks—that the practical difficulties begin to impress themselves on one's mind. If there has been no serious conflict in words, there has at least been a certain tacitly admitted conflict in policy. The silence of Dr. Benes has not accorded on certain points with the speech of M. Take Jonescu, and one cannot avoid inclining to the opinion that the Little Entente of the one is different in character from the Little Entente of the other. Even should there be a reconciliation between the respective ideals of the two statesmen, should, that is to say, the exclusively anti-Magyar character of Dr. Benes's scheme so widen as to accommodate itself to the larger ideal of M. Take Jonescu, there is no guarantee that such a compromise would represent the views of the peoples concerned. A Yugoslav paper has spoken of the Little Entente as having been formed without the approval of France, or perhaps even against it, while all M. Take Jonescu's interviews and assurances in



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Italy have not wholly succeeded in reconciling Italian opinion to this new combination of states.

Let us, however, imagine these external difficulties overcome; let us imagine the praiseworthy endeavours of Dr. Benes and of M. Take Jonescu, loyally supported by M. Venizelos, to have reached their goal—the formation of a defensive understanding between Czecho-Slovakia, Rumania, Jugoslavia and Poland, perhaps also Bulgaria, with Austria a well-disposed but rather timid onlooker, and Hungary outside, reduced to sullen impotence; let us imagine finally this comprehensive Entente serving as the instrument or advance guard of the Western Entente in South-Eastern Europe and the Balkans. At present the assumptions are considerable, but we can fairly make them for the sake of argument, since they are all implied in recent declarations of leading Rumanian, Czecho-Slovakian and Jugoslav statesmen. The most enthusiastic well-wisher to the Succession States of the Dual Monarchy will not fail to see in such an extensive Entente a heterogeneity of aims and interests which may well prove fatal. Serbia and Greece can perhaps compose their differences. The peace can perhaps be made slightly more tolerable for Bulgaria; the difficulty of the Banat can perhaps be got successfully out of the way. But these are comparatively small matters. A more serious difficulty would be Poland's desire for a common frontier with Hungary; most serious of all would be, obviously, the obligation on each member of the Little Entente to guarantee the boundaries of all the others. It may be said that this is not an essential feature of the terms of alliance, but it is clear that any agreement which did not include such a clause would really not be of much use to Czecho-Slovakia or Rumania, or offer much attraction to Greece or Poland. Such an undertaking would not have been an impossibility had greater moderation been shown in the drawing of the various boundaries. The original members of the Little Entente might well ask themselves whether they were to

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be bound to defend the integrity of the Peace of Riga, while Poland in her turn could fairly enquire whether she should be expected to assist in the absolute maintenance of the territorial terms of the Treaty of Trianon, and if so, why.

It is on such rocks as these that the Little Entente of M. Take Jonescu's conception appeared doomed to suffer shipwreck, at least until Magyar nationalism shall have reconciled itself to the terms of peace, in the absence of any opportunity for revising those features of recent peace treaties which experience may have shown to be ill-advised. Until that time comes, the alternative seems to lie with Dr. Benes's limited Entente, or no Entente at all. If there is no Entente there is nothing more certain, in the opinion of the Greeks and Rumanians, than that Hungary will make a determined attempt to get back her territories, or in some other way keep South-eastern Europe in a state of alarm. In spite of reactionary tendencies in Budapest and the admitted difficulties of bringing Hungary to reason by a blockade or a threat from the Western Powers, it is clear that no plan of obviating this can be considered as more than the first step to something bigger, more broad-minded, less reminiscent of the old antagonisms and the exclusive alliances we thought we had left behind. A mere military compact will not do, least of all in this quarter of Europe, which is starving and dying because of the manner in which racial boundaries have been turned into commercial barriers.

Then there is the question of the consistency of a proposal involving a limited military convention between a small number of interested states for the preservation of the territorial settlement, with the new order of things on which so many hopes are fixed. It may be suggested that it is unjustifiable to make any such arrangement, and that the only real guarantee is to be found in the united responsibility of the Great Powers by whose decision these frontiers were determined, and ultimately of the League



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of Nations. Before, however, we pick up any such stone to throw at the Little Entente, it is only fair to face the facts as they are, and not as they ought to be. Let us suppose that the apprehensions by which Dr. Benes is influenced, and doubtlessly genuinely, are realised. Suppose that the Magyars made an attack either on Rumania or on Czecho-Slovakia, and attempted to win back by force some of the districts of which they have been deprived. We should get then a case of the violation by force of a solemn international compact. What then would be the position of the Powers and of the League of Nations? Hungary, it must be remembered, is a country difficult to deal with. It has no sea-port, and therefore it is not easily accessible for British or French forces. It is a food-exporting country, and, as has recently been shown, the weapon of the blockade cannot be easily used.

Again, the peoples who would subscribe to the Little Entente do not live on an island, but close up against the trouble that they have to guard against. America still stands aloof from Europe, and while Russia is outside the family circle of nations, any lasting arrangement with regard to the reduction of armaments is out of the question. With so much uncertainty, sometimes accentuated by differences among the Allied Powers themselves, it cannot be a matter for surprise if the promoters of the Little Entente feel that until the situation improves, their safety demands that they should be in a position to look after themselves, and not trust exclusively to an outside protection, which may or may not be forthcoming in the hour of need. Nor can anyone blame such an attitude. It was never, indeed, intended that the small states should not do their part in defending the common settlement, and it is understood that their arrangements will be put before the League in the manner prescribed in the Covenant. Certainly we, who have shortly to consider whether the Anglo-Japanese Alliance is to be renewed or not, should think twice before condemning their proposals.

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About the benefit of an economic understanding no one could have any doubts. So far there has been little indication of an economic side to the Little Entente, but in the present state of Europe, a policy stands self-condemned that does not take economic facts into account. From the military point of view a boycott of Hungary is feasible, in certain circumstances perhaps even desirable ; it can probably be maintained as a threat so long as there is personal contact between certain selected politicians of the various countries concerned in it. But elections and other political vicissitudes have their victims, and Europe seems to demand something much more than a mere military and political boycott. It demands co-operation, inter-state organisation. From such a new combination of states it will be neither wise or ultimately possible to leave Hungary out. A new boycott of Hungary for political reasons, undertaken by a group of states on their own responsibility, would be as great a fiasco as the boycott of a few months ago, when the only effect of that lamentable affair was to retard Austria's recovery from her state of semi-starvation. To leave Hungary out of account or obtrusively to make anti-Magyar policy the only motive behind a new alliance, is to risk undermining Hungary's ability to contribute to the revictualling and reconstruction of Europe, and, secondly, to drive her, with Austria, by force of circumstances, on to the side of Germany. That rearrangement completed, the old *Drang nach Osten* would begin all over again, more powerfully than ever. When the alliances and agreements of the Little Entente have been submitted to the League of Nations, and brought into harmony with the Covenant, the Little Entente may justify itself as the preserver of peace in the most dangerous corner of present-day Europe ; more, it may prove to be the forerunner of a rational organisation at a point where Europe must organise itself rationally or die.

NOTE.—Since the above section was written, Hungary has signed the Treaty of Trianon and the actual text of



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the Treaty between Rumania, Czecho-Slovakia and Yugo-Slavia has been published. It runs as follows :—

1. In case of unprovoked attack on the part of Hungary against one of the contracting parties, the other party pledges itself to come to the assistance of the party attacked, in accordance with the arrangements set out in Part 2 of the Convention.

2. The competent authorities of the two countries will decide together the necessary measures for the execution of this Convention.

3. Neither of the contracting parties may conclude an alliance with a third power without previously informing the other party.

4. The Convention shall be valid for two years, after which each contracting party shall be free to denounce the Convention, which will remain valid for a further six months as from the date of denunciation.

5. The Convention shall be presented to the League of Nations.

6. The Convention shall be ratified, and the ratifications exchanged at Belgrade with the least possible delay.

### III. THE GERMAN SOCIALISTS AND THE THIRD INTERNATIONAL

IT is a natural result of the war and its sequel that men have acquired the habit of looking for what is violent, abnormal, catastrophic. In quieter and happier times, even when there were ahead of us difficulties, whether political or social, we always assumed that in one way or another they would be got over, that the world would pursue its normal course, and that society would be able to deal with each particular problem as it might present itself. We no longer have the same confidence. This change in our intellectual condition affects particularly our attitude towards the German problem, just as it affects

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the anticipations which the Germans themselves make of their own future. It is difficult to believe that nothing sensational will occur. And so reports constantly come to us from Germany from those who anticipate, or pretend to anticipate, some new rising, whether of the reactionaries or of the communists, some further step in the Revolution, some renewed civil war. But for many months we have had these anticipations, and they have been falsified, and looking back at the Kapp "Putsch," which took place over six months ago, we may surely say that its failure was more immediate and its results less catastrophic than many would have anticipated. It would, we think, be a serious error to attach too much importance to sensational reports from whichever side they may come. There are, indeed, plenty of centres of unrest; Berlin and the Ruhr Valley on the one side; Bavaria and East Prussia on the other; and so long as the Silesian problem remains unsettled, this district, which is of great importance to the economic future of the country, will probably be the source of trouble. But the conditions in Germany, on the whole, appear not to be of such a kind as to conduce to violent disturbances. This is not the form which the present disease will take. Rather we have to do with a country which is exhausted, disheartened, tired out, and in which, in consequence, the vital energy, the organising capacity, the decision in action necessary for any serious rising, whether monarchists, military or communist, is wanting. What the great mass of Germans desire is not disturbances, but rest—rest which will give the much needed opportunity for recuperation, for the recovery of vital tone, for occupation with the practical problems of the future. Undoubtedly the winter will be a hard one; there will be in Germany, as elsewhere, much unemployment, and where there is unemployment, there is always rioting and disorder, but it is a long step from local riots to an organised attempt to overthrow the Government.

Much the most interesting event which has taken place



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during the last months is the discussion in the Independent Socialist Party on their relations to the Bolshevik Government, and the consequent division of the Party. This is an event of the highest importance in the development of German Socialism, and, in view of the very large number of adherents to the different Socialist factions, anything which affects the future of the Party must seriously influence not only Germany, but also Europe. The situation is one which opponents and critics of Socialism might, were not the interests involved so serious, watch with amused detachment. The difficulties in which the party are involved are not new. The opposing influences are similar to those which had shown themselves for twenty years before the war. It is the great misfortune of Germany that when the working-man took advantage of the establishment of universal suffrage, they were from the beginning entangled in and dominated by the Marxian theories, theories which, if carried out to their logical conclusion, would be completely subversive not only of the economic, but also of the political basis of modern society. But a party which eventually became the strongest in the country could not continue to see its activities limited by the strict tests of orthodoxy to a highly doctrinaire theory of life and society. It was inevitable that, as the party gained in numbers, in power, and in influence, the younger generation tried to free themselves from their bondage, and they did so in the manner of which we have so many examples in ecclesiastical history: while continuing to profess complete orthodoxy, they put forward a new interpretation of their creeds and formulas. The chief practical point at issue between the different sections of the party was the question how far co-operation with, what in the party jargon, they called the *bourgeois*, for the practical improvement of the position of the working-classes was permissible. The true and convinced Marxian would no more associate with the *bourgeois*, even for the attainment of practical results of the highest importance, than an early

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Christian would offer incense on the altar of the emperor. It is needless to tell again the oft told story of how, at the beginning of the war, the great bulk of the Socialists gave their support to the Government, while, as it progressed, a considerable section, including some of the most influential leaders, broke off and founded another party, the Independent Socialists. Those who have some acquaintance with German political history, which, indeed, in this matter does not differ materially from that of other countries, will easily understand that the two Socialist parties show, in their relations to one another, more animosity than they do towards those to whom they are both equally opposed. For a short time after the Revolution, indeed, they coalesced and shared the Government between them, but after a few weeks, differences arose, and the Independent Socialists withdrew. As a result of the elections of last June, the Majority Socialists also ceased to take part in the Government. They have been standing aloof, watching events, but there can be little doubt that sooner or later a new coalition will be made, of which they will form part.

At the last elections, the Independent Socialists won a great access of strength, but their position has not been an easy one, for on the Left they are subjected to the competition of the Communists, who are admirers and imitators of the Bolsheviki, and who are prepared to adopt and carry out the full programme of the dictatorship of the proletariat. The form in which the decision as to the future of the party has to be made is the adherence to what is called the Third International. An explanation of terms may be useful. The First International was that created by Karl Marx and Frederic Engels, which came to an end owing to the war of 1870. This was succeeded by the Second International, founded in 1889, which was a loose federation of the Labour and Socialist Parties of nearly every civilised country. Periodical meetings were held every three years, and an International Bureau was



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formed with an executive committee sitting at Brussels. One of the chief objects of this organisation was to discuss and determine the attitude of the Socialists in the event of an outbreak of war ; this is a matter on which in fact there was a great difference of attitude both between different countries and different parties in each country, and the outbreak of war naturally intensified this difference of view. There was, in fact, a radical divergence between those who recognised the paramount obligations of international allegiance and those more extreme parties who were prepared to carry to the logical conclusion the fundamental Marxian antagonism to the State. During the war attempts were made to renew co-operation between the Socialists of different countries in conferences held at Zimmerwald and Kiental, but they ended in widening the breach between the two tendencies, the revolutionary and the patriotic, a breach for which the Russian extremists, under the leadership of Lenin, were specially responsible. Then, as always, they insisted on the acceptance of the full Marxian doctrine, denouncing equally the " Social Nationalists " and the " Bourgeois Pacifists." The tradition of the Second International was, however, maintained at a series of meetings which were largely attended by the reformist and more moderate Socialists, as at the Berne Conference of February 1919, and the Lucerne Conference of August 1919, and a permanent Commission was appointed in Holland which, though not officially an organ of the Second International, aims at maintaining its traditions.

As soon as the Bolshevik Government had been established in Russia they used their position to carry on with great vigour, energy and bitterness their campaign against the more moderate exponents of Marxism, and as a part of this campaign they proceeded to establish what is now called the Third International. An invitation was sent out in January 1919 in the name of the Russian Communist Party to all revolutionary Labour and Socialist organisations which were in sympathy with the aims of communism, to

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meet in conference and to form a communist International. The conference was actually held in March 1919. It was attended by representatives of the extremists from about fifteen countries; there were none from France, Great Britain or Italy, none, officially accredited, from America, and the conference had no claim to be regarded as in any way representative. None the less they drew up the constitution of the Third, or Moscow International, and prepared a programme—a programme which is based on the complete and absolute adoption of the Bolshevik tenets.\*

From this time the adherence to the Second or the Third International has become the dividing line of Socialists in every country. During the month of September 1920 the Independent Socialists of Germany enquired as to the conditions for adherence to the Moscow organisation. The answer was given in a very remarkable document which deserves study in detail; we quote some of the more important paragraphs:—

1. The daily propaganda and agitation must be definitely Communist. All the party organs must be edited by positive Communists, having given proofs of their devotion to the cause of the proletarian revolution. It is not sufficient to speak of the dictatorship of the proletariat as of a recognised and understood formula; it must be propagated in such a way that the need for it is made clear to every workman, soldier and peasant from the facts of their daily life, which must be systematically noticed in our Press. In the columns of the Press, at public meetings, in the Trade Unions, in the Co-operatives, everywhere where the adherents to the Communist International have access, they must attack, systematically and implacably, not only the *bourgeoisie*, but also its accomplices, the reformists of all shades.

2. Every organisation wishing to affiliate to the Communist International must regularly and systematically remove all reformists and "centrists" from all posts, however little responsibility they involve, in the working class movement (Party organisations, editorships, Trades Unions, Parliamentary sections, Co-operatives,

\* This account is based to a large extent on *The Two Internationals*, by R. Palme Dutt.



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municipalities), and replace them, especially at first, by experienced militants, and by workers risen from the ranks.

3. In all countries where, in consequence of a state of siege or emergency laws, the Communists are unable legally to develop all their activities, it is absolutely necessary that legal action should be accompanied by illegal action. In nearly all the European and American countries, the class-struggle is entering upon the period of civil war. Under these circumstances the Communists cannot depend upon *bourgeois* legality. It is their duty everywhere to create, side by side with the legal organisation, a secret organisation, capable of fulfilling at the decisive moment its duty towards the revolution.

4. Propaganda and systematic and increasing agitation among the troops must be carried on. A Communist nucleus must be formed in every unit. The greater part of this work will be illegal; but to refuse to do it would be a betrayal of revolutionary duty, and consequently incompatible with affiliation to the Communist International.

7. The Parties wishing to belong to the Communist International must recognise that it is necessary to have a complete and definite rupture with the reformists and with the "centrist" policy. . . . The Communist International insists upon this rupture, absolutely and without discussion, and it must be carried out as quickly as possible.

9. Every Party wishing to belong to the Communist International must carry on persistent and systematic propaganda inside the Trade Unions, the Co-operatives and other working class organisations. Communist nuclei must be formed, whose constant and persistent work will win the Unions to Communism; . . . These Communist nuclei must be completely subordinated to the general control of the party.

10. Every Party belonging to the Communist International is bound to fight energetically and tenaciously the yellow "International" of the Trades Unions founded at Amsterdam. On the other hand it must support with all its strength the International Union of Red Trades Unionists adhering to the Communist International.

11. The Parties desiring to belong to the Communist International are bound . . . to demand from every Communist Parliamentary candidate the subordination of all his activities to the real interests of revolutionary propaganda and agitation.

12. The whole of the periodical or other Press and all the editions should be entirely subordinated to the Central Committee of the Party, whether the latter is legal or illegal. . . .

13. The Parties belonging to the Communist International should be formed on the principle of democratic centralisation. During

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the actual period of acute civil war the Communist Party will not be able to fulfil its *rôle* unless it is organised in the most centralised way, with an iron discipline similar to military discipline, and unless its central organism is furnished with wide powers, exercising an undisputed authority, enjoying the unanimous confidence of the militants.

14. The Communist Parties of countries where the Communists may carry on their work lawfully, must periodically weed out (by re-registration) the personnel of the party organisations, in order to clean the party systematically from all the petty *bourgeois* elements which inevitably creep into it.

15. The Parties wishing to belong to the Communist International must support without reserve all the Soviet Republics in their fight against the counter-revolution. They must unceasingly advocate the refusal of the workers to transport munitions and arms destined for the enemies of the Soviet Republics, and to pursue, either legally or illegally, propaganda amongst the troops sent against the Soviet Republics.

16. . . . It is necessary that the programme of the parties affiliated to the Communist International should be confirmed by the International Congress or by the Executive Committee. In the case of the refusal to sanction a Party by the latter, the Party has the right to appeal to the Congress of the Communist International. . . .

17. All the decisions of the Communist International Congress, as well as those of the Executive Committees, are binding upon all the Parties affiliated to the Communist International. Acting during the period of acute civil war, the Communist International must be much more centralised than was the Second International. . . .

18. In conformity with all that precedes, all the Parties affiliated to the Communist International must alter their names. Every Party desiring to adhere to the Communist International must be called: "Communist Party of . . . (Section of the Third Communist International)" . . .

That which will at once strike the reader, as it struck the German Socialists, was the authoritative tone; as many critics observed, Moscow spoke with the voice of Rome. They had before them a Papal allocution; the German Socialists were not invited to join in the establishment of a new international organisation in the framing of which they would take an equal part; they found themselves confronted by an institution already founded, and



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they were informed that they could not be admitted to join its ranks unless they were prepared to accept the whole of its programme without modification. And the programme is indeed a remarkable one. By adhering to it they would pledge themselves to a course of action which must, if carried out in practice, inevitably bring about war with the other European States. They must support all Soviet Republics in their fight against counter-revolution. And the means by which they are to do so are to refuse the transport of munitions and arms, and to carry on legal and illegal propaganda against the troops sent to fight the Soviet Republics. We have only to recall the situation which existed a few months ago when the Soviet troops were invading Poland, to understand that if this programme were in fact to be carried out, it would mean fighting on the side of Russia against not only Poland, but not improbably France and other Western European countries. It implies full support to the Soviet Government in its attempts to overthrow the British domination in Asia. It is not surprising, having regard to the present position of Europe, that even many among the most advanced Socialists would look with some concern on proposals of this kind. They would be less concerned with the pledge to resort to illegal action in their domestic activities, though those who considered the position of Germany at this moment, might well hesitate before committing themselves to beginning what is avowedly to be a new civil war.

Issue was joined at the Party Conference which was held at Halle on October 16. It is characteristic that at this meeting of a German political party to discuss their own policy and programme, there were present representatives of Russia who, in very lengthy speeches, used the opportunity to impose their will. The opposition was led by Crispian and Dittman, who had recently been in Russia, and presented a report commenting very unfavourably on the conditions in that country and on the Bolshevik

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Government, a course which had brought upon them the virulent abuse which the Bolsheviki pour upon any Socialist who dares to differ from them. They were, of course, held up to reprobation as *petit bourgeois*. The result of the meeting was that 237 of the delegates present voted for adhesion to the Moscow International and 156 against. The vote was at once followed by a formal division of the party. Crispin declared that those who had voted for the motion had ceased to be members of the party inasmuch as it was inconsistent with their agreed programme, and with his adherents left the room. Though they were in a minority at the meeting, they included a considerable majority of the leaders of the party and of its representatives in the Reichstag. The situation, in fact, seems to be that even among the Independent Socialists there is a considerable majority of the thinking and responsible leaders who are strongly opposed to Bolshevism, but that, for many reasons, the chief among which must be reckoned the lamentable economic condition of the country, the extremer view has won partisans among the less responsible rank and file.

There is naturally much speculation as to what will be the political future of the dissentients. The natural course might appear to be that they should join the Majority Socialists; but the intense passion which the events of the last six years have aroused makes this very difficult for them, and whatever the formal decision of the leaders may be, there can be little doubt that the result will be very much to strengthen the Majority Socialist Party in the country.

The fate of the victors in the conflict is, however, not free from difficulties and dangers. They are bound now to unite with the Communists, for it will be remembered that it is one of the canons of the leaders to whom they have now vowed allegiance that they shall take the name of Communists; it is, therefore, interesting to notice that Zinoviev himself, who was present at the meeting as a



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legate *a latere*, himself advised them for some time to postpone this step ; we may assume that he has sufficient knowledge of Germany to know that the more the extreme programme is intensified, the more likely it is to be looked on askance by the great majority of working-men, with whom, in the last resort, the decision lies. For all accounts show us, as we might indeed have anticipated, that except for some cliques of extremists led by foreign agitators in certain districts, such as Berlin and the Ruhr Valley, the German working-man is not prepared to follow the example of Russia. Ultimately the result of any violent action by the Communists would certainly be to arouse a united opposition throughout the whole of the country, which would render the movement futile. Few can believe that it will have any hope of ultimate success, but there would undoubtedly be a danger that a new explosion of the kind which they seem to desire would complete the ruin of the whole country.

It is this which gives strength and support to the definitely anti-communist movement of which, during the last few months, Bavaria has made itself the centre. South Germany in these matters is very different from North Germany, chiefly, it may be suggested, because the South German States had experience of a moderate constitutional Government with a fairly extended franchise and liberal constitutions for nearly one hundred years. Let us never forget that the constitutions of Bavaria, Baden, and Württemberg do not date, as does that of Prussia, from 1846, but from the years immediately succeeding the Napoleonic campaign. Here, also, the Government has never been identified with the extreme principles of military reaction associated with Prussia. It is the strongest testimony to the beneficial effects of liberal institutions to find that, as a result of this, Socialism itself has lost its extreme virus when transplanted to a different soil. The more virulent forms of Socialism in Germany, as in Russia, have sprung from, as they are the antithesis of,

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the military monarchy which they would overthrow. But it is the curse of arbitrary government that it propagates in its antagonists the spirit by which it itself exists. It makes impossible that spirit of moderation, common-sense, conciliation, charity, and kindliness which is so essential for the conduct of human affairs. It is not surprising, therefore, to find that in Württemberg and Baden, the two most democratic States in Germany, Socialists have for some years taken part in the actual administration of the State and of the cities, and that co-operation between them and the old-established Liberal parties has been found possible. It is, of course, this co-operation which, above all, Lenin and his disciples abhor. In their category of abuse, which is a large one, no word equals the contempt with which they associate the name of *petit bourgeois*, *kleinbürgerlich*.

It is from Bavaria, however, that the most forcible opposition is threatened. The whole position of Bavaria at the present moment is intriguing. After the experiences in the early days of the Revolution, the great mass of the population is confirmed in their determination not to have anything more to do with the Bolsheviki or their imitators. But as a result of these experiences they are convinced that the only means of safety is that the population, peasants and others, should have in their own hands the arms with which to defend themselves against a rising in the country or an attack from the Socialists of the north. The Bavarians, therefore, supported by their Government, have categorically refused to surrender their arms. This has nothing to do with international politics. They wish to keep them, not to fight the Entente, but to protect themselves against their domestic enemy. But by taking this course they are, in fact, refusing to carry out one of the most important articles of the Treaty of Versailles. What then will be the result of a Bavarian refusal to carry out orders issued from Berlin ?

There is much talk at present of Bavarian separatism,



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and one sees many suggestions that Bavaria would desire to break off altogether from the rest of Germany. It is indeed true that the programme of the People's Party, headed by Dr. Heim, would seem ultimately to lead to some such conclusion, and any attempt to impose upon Bavaria Socialist institutions originating in Berlin might lead to an open conflict. At present it appears as if the Berlin Government, aware of the danger, is humouring the Bavarians. We hear, for instance, that there is in project a very remarkable proposal to establish at Munich a diplomatic representative of the *Reich* ; this seems to be completely at variance both with the text and the spirit of the existing German Constitution. It would be as absurd as to appoint to Dublin a diplomatic representative of the United Kingdom. Friction has also been caused by the extension in other parts of Germany of what is called the *Orgesch*, a society founded by a certain person of the name of Escherich, for maintaining a kind of an armed police. The truth seems to be, however, that Bavaria is making herself the centre of the anti-Bolshevik and anti-Socialist movement which is sure to arise somewhere or other in Germany ; the strong Catholic sentiment, the large number of small landed proprietors, and the strong local spirit by which Bavaria has always been animated, naturally point to this state as the opponent of the tendencies which emanated rather from Berlin. There are also, no doubt, in Bavaria many who would like to see a restoration of the Monarchy, and there would be no place for a monarchical Bavaria in a republican Germany. The opposition of policy may, if things are not carefully handled, lead to a formal breach, but even if they did so, it would probably only be temporary, for the very close economic connection between Bavaria and the rest of Germany, which has gone on ever since the establishment of the *Zollverein*, and the extension to Bavaria of the social and other legislation of the Empire, would make permanent separation extremely difficult.

# UNITED KINGDOM

## I. THE COAL STRIKE

ON October 16, a national strike of members of the Miners' Federation of Great Britain began. It came to an end on November 4. Between those two dates the British Labour organisations had an opportunity, if they cared to take it, to make an experiment in the use of the general strike as a possible means of securing the sudden overthrow of the existing social system. The experiment was not made. No one, therefore, can say with confidence whether it would have succeeded or failed. All that can be said, with any degree of conviction, is that Labour did not attempt to make it because the responsible leaders of Labour foresaw that its success or its failure would be equally disastrous to those whom they led.

In a remarkable way the course of the coal strike of 1920 followed that of the railway strike of 1919. It began rather unexpectedly after protracted discussion of long-standing claims. It led to a situation which contained potentially all the conditions favourable to a revolutionary *coup*. And, just at the moment when it reached that stage, its settlement by round-table negotiation became most assured. It was settled, as the railway dispute was settled, on terms which implied far more than they expressed. The mine-owners surrendered something. The Government surrendered much. The miners surrendered something, but not much. The only party to the dispute which did not give away anything was the general public, including the main body of organised Labour. The public demonstrated once more its wonderful capacity for keeping calm



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in emergency, and the trade union movement as a whole proved once again that it is essentially unrevolutionary. While the national organ of trade unionism—the Trades Union Congress—claimed the right to make its voice heard and its will felt, it showed in the clearest possible fashion that it is not disposed to lend itself to mad-brained attempts to assert its will by force, so long as it can gain the same end by more or less peaceful persuasion.

In order to understand the real meaning of the dispute it is necessary to recall some of the events which preceded it; and the first of these is the refusal of the Government to nationalise the mines. This, and the subsequent refusal of the Trades Union Congress to embark on a policy of direct action for the enforcement of nationalisation, form the starting-point of the trouble. On March 11, before the Congress rejected direct action, Mr. Frank Hodges (Secretary of the Miners' Federation) warned the delegates that, if they declined to support the miners in their political demands, the miners would have no option but to plunge into the vortex of "wages, wages, wages." Within twenty-four hours of that statement the miners formulated a new wage demand. They obtained what they claimed. Two months later the Government not only passed the cost on to the consumer, but took the occasion to readjust coal prices in a way which could only be interpreted as a preliminary step towards the removal of State control over the mining industry. To the miners, the 14s. 2d. a ton added to the price of domestic coal on May 12 was tangible evidence that the Government intended, by making all sections of the coal trade self-supporting, to pave the way for the complete cessation of government interference with the conduct of the mining industry and for the carrying into execution of the modified "Whitley Councils" scheme embodied in the Mining Industry Bill then before Parliament. Now the miners, much as they disliked the system of "bureaucratic" government control, believed that it might usefully be maintained as a half-way house

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to government ownership and "democratic" control. Government control meant pooling of profits, and an equalisation of the ability to pay good wages as between the profitable and the unprofitable coalfields. Removal of control would mean a reversion to the old system whereby wages were fixed and adjusted on a local, as distinct from a national, basis. Any action which would compel the Government to adhere to the wartime and post-wartime practice of fixing and adjusting wages nationally would incidentally compel the Government to defer the evil day of decontrol; in other words, a new national wage claim, strongly pressed and finally conceded, would entail the indefinite retention of a stepping-stone to nationalisation. Thus it came about that the miners replied to the move of the Government, when it increased the price of coal, by putting in demands not only for the removal of that increase, but for a substantial advance in wages. At the conference which formulated this demand a resolution in opposition to the Mining Industry Bill was adopted, and in the discussion on it Mr. Robert Smillie (President of the Miners' Federation) is reported to have said :—

The Government and the coal-owners ought to know that in the event of the Bill becoming law, the Federation would be bound to assist any district by a general strike to prevent any reduction of wages. It was proposed to set up under the Bill a system which would make reductions in wages in some districts inevitable, and that would certainly be followed by a general strike of the Miners' Federation.

This was on July 7. Within a week the *Daily Herald* hailed the miners' new demands as "an indirect but no less sure step towards nationalisation." It stated frankly the argument that, if the demands were conceded, the surplus profits on the industry would be absorbed and the Government would have no course open to them but to continue the control of the industry. "Thus" (said the *Herald*) "nationalisation would be brought to the fore as the only way out." More than a month later, Mr. Smillie



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declared in a public speech that "the miners were determined to have nationalisation." At that stage some of the miners' leaders who happen to be sensitive to public feeling were desperately anxious to get rid of the notion that the new demands were other than strictly economic in character. The prominence given in the newspapers to Mr. Smillie's reported blurting out of the truth naturally disturbed them, and within a few hours one or two of them were securing equal prominence for blunt denials that such a question as nationalisation had any place in their minds. Three weeks afterward, Mr. Smillie himself thought it advisable to announce, in a letter to *The Times*, that the miners were not fighting for nationalisation. "The question of nationalisation of the mines," he said, "will probably be made a political issue when the present Government think fit to allow the people of the country to express their opinion on this and many other matters which have arisen since the return of the present party to power." Such a statement so made must be accepted without question. Nationalisation of the mines, then, was not the thing, or one of the things, for which the miners fought the Government in this battle. But the retention of State control of the mines, as a stepping-stone to nationalisation, was unquestionably one of the objects for which the miners entered into the struggle. The progressively clear and definite assurances which they extracted during the later stages of the negotiations, first from Sir Robert Horne and then from the Prime Minister, that the Government did not contemplate withdrawal of control at once or in the near future, are plain evidence of the vital part which this question played in the dispute. As will presently be shown, the miners won handsomely on this point. The measure of their victory is the statement made by Mr. Hodges after a settlement had been reached—a statement which is scarcely as ingenuous as it seems—that "the miners recognise that they must drop political considerations from their plans for the future of the

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industry. They must leave such questions as nationalisation of mines to the development of the political consciousness of the people." This is not, as it might appear, an abandonment of nationalisation as an objective. It is only an indirect reminder that the miners have secured by industrial action as big an advance towards that point as industrial action can secure. It is the statement of a man who is confident that the miners can consolidate and hold the outworks from which the Mining Industry Act would have ejected them, and can afford to wait until the citadel is voluntarily surrendered.

The development of the dispute will repay a little study. Here are the main stages :—

*July 7.*—The miners formulated a demand for (1) an immediate reduction of 14s. 2d. a ton in the price of domestic coal ; and (2) an advance in wages of 2s. a day for adults, 1s. for youths from 16 to 18, and 9d. for boys under 16.

*July 26.*—The Government announced that they could not grant these claims.

*August 12.*—The miners decided to take a strike ballot.

*August 31.*—The ballot result was declared. For a strike, 606,782 ; against 238,865.

*September 2.*—Strike fixed for September 25.

*September 24.*—Strike postponed to October 2, in view of negotiations proceeding with the Government.

*October 1.*—The miners decided to take another ballot on a scheme by which wages would be determined according to output, with regular advances for increases above a " datum line." Strike further postponed to October 16.

*October 14.*—The second ballot result was declared. For the scheme, 181,428 ; against, 635,098. The miners decided that the strike should begin on October 16.

*October 16.*—Strike began.

*October 28.*—Provisional terms of settlement were agreed on by the miners' executive and the Government. The Executive decided to take another ballot.



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*November 3.*—The third ballot result was declared. For the new terms, 338,045 ; against, 346,504. As this did not give the two-thirds majority required by the rules for a continuance of the strike, the strike was declared off.

*November 4.*—The miners returned to work.

The above brief record covers only the decisions of the miners themselves. The following gives in summary form the decisions of their partners in the Triple Alliance, and of the Trades Union Congress :—

*August 31.*—The joint executives of the Triple Alliance declared unanimously that the miners' demands were reasonable and just and should be conceded forthwith.

*September 8.*—The Trades Union Congress adopted a resolution in identical terms.

*September 22.*—The Triple Alliance met the Prime Minister, but without definite result.

*October 21.*—The railwaymen informed the Prime Minister that unless negotiations were resumed or the claims granted by October 23, a national railway strike would be called. The transport workers made a similar declaration.

*October 22.*—The Parliamentary Committee of the Trades Union Congress decided to summon a special Congress for October 27 to consider the position, and meantime they deprecated sectional action.

*October 23.*—The railway strike was indefinitely postponed, in view of the resumption of negotiations.

*October 27.*—The Special Trades Union Congress found nothing to do.

Each of these two short histories calls for some comment. The outstanding feature of the first is the fact that, while up to October 14 the miners' leaders and their representatives gave abundant evidence of a desire to escape from the consequences of the first strike ballot, they did not hesitate moment after the second ballot. The "datum line"

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offer was rejected by a majority even more overwhelming than that which originally declared for a strike, and the leaders accepted this as a virtual prohibition of further negotiation. Incidentally, it may be noted, the demand for a reduction in the price of coal had disappeared. The vote was so decisive that the men who had wanted a strike from the first easily gained the mastery over those who were averse from a strike. More than once during the progress of the dispute it was impossible for the onlooker not to be struck by the apparent swaying of the balance of power between the pacifists and the extremists in the councils of the miners. The South Wales contingent, backed by the Lancashire men, were for war "to the knife." The Yorkshire leaders were for peace; their men had more than enough of strikes twelve months earlier. The representatives of other coalfields were undecided. Mr. Smillie himself seems to have oscillated between the two decided groups, and the course of the dispute up to the actual dispatch of the strike instructions to the districts seems to reflect his uncertainty. At one moment the extremists were uppermost, and at another the moderate men prevailed. Even after the strike had begun, the same fluctuations were noticeable. At the eleventh hour before the settlement, South Wales asserted itself and created a temporary "hitch" in the negotiations. Almost on the stroke of the twelfth hour, the extremists made a final effort by challenging a division in the miners' conference on the question whether the rule requiring a two-thirds majority for the declaration or continuation of a strike should or should not be applied in the present case. The extremists were defeated in the end, but they managed to carry away a few scalps. Mr. Vernon Hartshorn, M.P., one of the most level-headed men among the miners, found his position as a member of the Executive of the South Wales Miners' Federation made untenable by the nagging of the hotheads, and resigned the office. Mr. William Brace, M.P., President of the South Wales Miners' Federation,



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was also subjected to such treatment by the disappointed revolutionary section that he decided to resign. Mr. Brace was one of the real authors of the final terms of settlement, for they followed closely a series of proposals which he made to the Government during a debate in the House of Commons on October 19. He has since accepted the position of Labour Adviser to the Coal Mines Department of the Board of Trade, a capacity in which his sound sense and his intimate knowledge of working conditions in the mines will be of invaluable service to the Government. But while the Government will have gained by his severance of connection with the Miners' Federation, it must be confessed that the success of the revolutionaries in hounding two such men out of responsible positions in their organisation is as ugly a symptom of disease in the trade union body as any that South Wales has yet shown, and it may be suggested that trade union leaders should make sure, before they yield to natural personal feelings, that they could not better serve the interests of their fellows by defying their assailants and remaining in the positions to which the rest elected them. Nothing would better please the Bolsheviks, in their own country and in this, than the success of their deliberate campaign for driving all moderate men out of the public life of the Labour movement by systematic abuse, misrepresentation, and slander.

With regard to the second of the summaries given above—that relating to the intervention of the Triple Alliance and the Trades Union Congress—it is important not to misunderstand the significance of the decisions of these bodies or to underrate the serious possibilities of the situation which those decisions might have created. They contained, as already suggested, the threat of action which would bring the forces of the State into direct and deadly collision with organised millions of the people and create conditions as nearly conducive to revolution as any that are likely to exist in this country for many years to come.

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But while the threat was there, the hope and the expectation that it need not be carried into effect were also there. Experience during the railway strike, when the famous "Committee of Fourteen" was set up, and more recently, during the crisis which arose when the Red Armies were at the gates of Warsaw and the "Council of Action" was established, has confirmed in the minds of the national leaders of the British Labour movement, both political and industrial, the belief that the Government understands no language but that of threats. The ultimatum of the railwaymen was intended, it may be believed, to precipitate a resumption of peace by negotiation between the miners and the Government. At the same time, had it failed in that purpose, there can be no doubt that an attempt would have been made, however incomplete it might have proved, to translate the threat into action. The same is true of the Transport Workers' threat. The decision of the Parliamentary Committee of the Trades Union Congress, however, was of a somewhat different kind. They added to the announcement of the calling of a special Congress a strong appeal to all unions to refrain from hasty and independent action. The prospect of united action on a national scale is always the surest deterrent to local or sectional strikes, and from that point of view the intervention of the Committee made for restraint and the isolation of the conflict. But the danger of combined industrial action by the whole trade union movement, or even by large sections of it, is always the greatest incentive to the Government to compose its quarrels before they spread, and from that point of view also the intervention of the Committee made for a speedy peace. It is a safe rule to apply to all industrial conflicts on a serious national scale, that the greater the threat the more remote the danger. This rule may not always hold good, but so long as the influence of the majority of the present national leaders of Labour continues to have weight with the rank and file (and that will be so for a long time hence), a



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judgment based on that axiom will not often prove ill-founded.

Other aspects of the dispute must be dealt with briefly. Six days after the strike began the Home Secretary introduced in the House of Commons a Bill which gave to the Government, subject to certain Parliamentary checks, wide powers to take steps, in cases of emergency, for the preservation of peace, for securing and regulating the distribution of food and other necessities of life, for maintaining the transport services, and for otherwise ensuring the safety of the community. In spite of appeals from the Labour members, based on the resumption of negotiations, the Government proceeded with the Bill; it had been prepared, according to their statements, many months before the coal strike. During its progress through Parliament, the Labour members succeeded in securing important amendments of some of the provisions most obnoxious to them, but they were not satisfied that the Bill did not still constitute a grave menace to the liberties and privileges of trade unions, and the agitation against it was not allowed to drop. About the same time the Government announced special provisions with regard to the relief of unemployment caused by the strike. These provisions related mainly to the extension of the period during which unemployed ex-service men were entitled to draw out-of-work donation, and to the delegation to employers of certain of the powers and duties of the Employment Exchanges in respect of the disbursement of unemployment benefit in the insured trades.

In practice the effects of the strike on employment were not so serious as they might have been had the Government not had ample time in which to accumulate large stocks of coal for the public services and for industrial uses. The want of supplies was felt most acutely in the iron and steel trade, the pottery industry, the shipping industry, and one or two other trades which consume huge quantities of coal. The North of England suffered

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more than the Midlands, and the Midlands more than the South, but the actual volume of unemployment directly caused by the stoppage was not so formidable as some prophets had anticipated. According to the official returns for November 3, the last day of the strike, there were on that date 95,275 people idle owing to the closing of works, 147,570 people discharged through reductions of staff, and 347,722 people placed on short time. But for the reserves of coal held before the strike actually began, these numbers would have been considerably larger.

One of the most notable features of the strike was the entire absence of anything like sabotage. It is true that in several districts, including South Wales and Lanarkshire, resolutions were passed in favour of the withdrawal of the pumpmen and other workers on whose labour depended the maintenance of the mines in a condition which would make possible an immediate resumption of work, but no effect was given to these resolutions, and these grades of workers continued at their posts in accordance with the instructions given to them on the outbreak of the strike. From beginning to end of the stoppage, the only reports of lawlessness or violence came from a South Wales village, where a number of young hooligans were responsible for some rowdiness and window-smashing after the closing of licensed premises on two evenings. The miners as a whole, behaved with exemplary orderliness throughout the strike, and went back to work eagerly when the dispute was declared at an end. Like the general body of the public, they "kept their heads" and remained steady, many of them doubtless sharing the predominant public faith in the inevitability of a peaceful solution. Nothing, indeed, is more remarkable in the story of this strike than the ineradicable conviction of the people that the native commonsense and genius for compromise would find a way out. The average man and woman simply refused to despair, even when the outlook was blackest.

The actual terms of settlement need not here be ex-



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amined in detail. They provide for a temporary increase in miners' wages of 2s. a shift for adults, 1s. for youths, and 9d. for boys ; this increase to be subject to variation between January 1, 1921, and March 1921, according to the quantity and value of the coal output ; thereafter, wages are to be regulated by a National Wages Board. In the meantime, the owners and men pledge themselves to make every effort to enlarge the production of coal, and for this purpose they undertake to co-operate by means of district and national joint committees. The points to be noted here are these :—

1. The miners obtain immediately the full amount of the wage increase which they claimed in July.

2. The mineowners have agreed that the 10 per cent. of surplus profits to which they were entitled as an addition to their guaranteed pre-war profits shall be subject to variation, in the same way as the miners' 2s. wage advance, according to the fluctuations in output. In other words, owners' profits will fall as well as miners' wages, if their joint efforts fail to produce the prescribed quantities of coal.

3. A National Wages Board is to be established for the mining industry.

The last of these is the most important, for reasons indicated at the beginning of this article. Though there is no precise provision in the terms of settlement to this effect, it is understood, by the miners at any rate, that this Board will be in some respects a counterpart of the National Wages Board already existing for the regulation of railwaymen's wages. That is regarded as implying that it will fix or regulate wages on a national, as distinct from a district, basis. If that interpretation be correct—and it has not been denied by the Government—the miners have succeeded in forcing the Government to relinquish its plan, embodied in the Mining Industry Act, for the fixing of wages by areas ; and, inasmuch as that plan was an essential part of the Government's decontrol scheme,

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they have compelled the Government to reverse its policy for the future conduct of the industry. If they had done nothing more than this, the miners would have achieved a great triumph.

### II. “ REPRISALS ” IN IRELAND

ONLY on the comfortable assumption that things were bound to be worse before they were better is it possible to record any progress towards an Irish settlement. Of that sort of progress, indeed, there is evidence in plenty. The “ war in Ireland,” as THE ROUND TABLE had already described the situation at the beginning of September, has extended during the last three months far beyond the limits then described. The attempts of Sinn Fein to establish a Republican administration throughout the country, the revival, as a consequence, of the Ulster Volunteers, the comparative impotence of the normal forces of law and order—these various elements in the situation began to be overshadowed before October by an entirely new development. It suddenly became apparent that the cowardly campaign of assassination, which had been in progress for months side by side with the more presentable activities of Sinn Fein, was beginning at last to provoke retaliation. The murder of police officers had hitherto been a safe enough proceeding for the murderers because of the Terror which permitted neither witnesses to bear evidence nor juries to convict. Now, in a moment, these isolated undetected crimes were succeeded by a series of violent hand-to-hand fights up and down the country, in which the casualty list was no longer confined to the soldiers and the police. What is more, the assassinations, which still persisted, began to be followed by the general punishment of suspected localities, and a series of raids on Balbriggan, Trim, Mallow, and other villages left behind them a trail of smoking ruins and an explosion of startled indignation. That these raids were the work of the forces



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of the Crown—which now included an auxiliary body of constabulary, popularly known from their mixture of blue and khaki uniform as “Black and Tans”—was never for a moment in dispute. The real element of doubt in the situation was the extent to which their operations were part of a deliberate policy of counter-terrorism. They were the signal in any case for the opening of a new phase of the Irish discussion in England, and brought it once more to the very forefront of political issues.

It is not easy to write with moderation of the political campaign in England against “reprisals,” though much may be said, and should be said, about the “reprisals” themselves. By this time, according to the published records, no fewer than 100 policemen and 18 soldiers had actually been murdered since the beginning of the year. More than 200 had been wounded, and a very large number had escaped death by marvellous good fortune. There had been six or seven hundred attacks on police stations, resulting, in most cases, in their complete destruction. The Irish peasantry themselves were in many places paralysed with fear and had suffered every kind of lawless outrage, often directed against women. All this appalling chapter of crime had passed almost unnoticed by those writers and politicians who now united in passionate denunciation of the new turn of events. The “shooting” from behind (unobtrusively chronicled) of a policeman at his post became “murder” of the most brutal kind when the victim of a desperate roadside fight turned out to be some notorious Republican. The destruction of property was stigmatised, for the first time, as an intolerable outrage on civilisation. To judge from some of the articles and speeches which appeared as the Parliamentary session approached, it might really have been supposed that a peaceful and virtuous population had suddenly been subjected, without a shadow of excuse, to the horrors of a barbarian invasion.

The Government, no doubt, were very largely to blame

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for such credence as this impression obtained, though it does not seem, as a matter of fact, to have stirred the masses in the constituencies so much as their representatives in Parliament. The man in the street was so hardened to Irish horrors by this time that he was disposed to be satisfied with the vague idea that some of the assassins were “ getting a bit of their own back.” Nevertheless, thoughtful people were beginning uneasily to ask questions, and the attitude of the Government was regarded, even by those who were not their regular opponents, as disingenuous and self-contradictory. The Chief Secretary, it is true, had lost no time in issuing a statement which represented the alleged reprisals as few in number and denied the suggestion of official connivance or support. But General Macready, commanding the forces, had virtually admitted and justified reprisals in a rather unfortunately worded message to the American Press ; while a set speech from the Prime Minister himself had described in moving terms the ghastly conditions under which the police were working, but had entirely shirked the question of material destruction as vicarious punishment for murder. It was not surprising, therefore, that, when Parliament reassembled on October 19, the Opposition (such as it is in the present House of Commons) should concentrate on the demand for an enquiry into the whole business, and the fact that this demand was defeated by the enormous majority of 346 to 79 is by no means to be attributed entirely to the strength of the Government case. The critics had largely defeated their own ends by the gross injustice of their attacks.

So little of positive fact emerged from the debate of October 20 that no final judgment can yet be passed on this new turn of events in Ireland. At the time (necessarily far in advance of publication) when **THE ROUND TABLE** goes to press in England, charges and counter-charges are still being bandied to and fro. Investigation is promised in specific instances. Government speakers dis-



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claim and reprobate anything like "running amok" on the part of soldiers or police, but there is infinite obstruction (and probably some real difficulty) to be faced by anyone who attempts to arrive at the truth. Still, sufficient is known by this time to form a tolerably complete picture of what has been going on, if not of all the responsibilities for it; and the impression that is clearest of all is that "reprisals" have meant very different things in different places. There have been cases, unquestionably, where the murder of some popular companion has goaded a body of soldiers or of police to sheer undisciplined madness. That cannot be held surprising, however deplorable it may be for the *moral* of the forces. They have been living now for many months under conditions of strain which many of them describe as far more terrible than service in the trenches. There at least they had a proclaimed enemy, whose identity and intentions were known. But in Ireland their enemy was working in secret, distinguished by no uniform, mingling at one moment with the crowd of peaceful civilians and drawing a pistol from his pocket the next. The sense of being perpetually watched and shadowed, of having no protection against the assassin, no means of identifying him beforehand and no chance of bringing him to justice, must often have proved utterly intolerable, and it is small wonder that there have been instances where the men have frankly got out of hand and turned upon the merest suspects with fire and pillage.

Perhaps it was occurrences of this kind, and the undoubted fear which they inspired, that suggested to the authorities the value of "reprisals" of a more organised character. At all events it soon became clear that some of the acts of violence committed by the forces of the Crown were part of a methodical plan for fighting assassination. Thus the murder of a policeman or of a soldier was followed before long, as a matter of course, by the deliberate destruction of so many houses in the neighbourhood, to which the avengers in many cases were strangers hurried from

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a distance. Moreover, warnings that certain specified penalties would follow any further crime very soon became public property and formed the subject of some not very illuminating discussion about the exact authority responsible for them. Here, of course, there was no question whatever of a sudden blaze of anger. The procedure was often quite obviously deliberate and calculated. Meanwhile—side by side with the rest, and contributing a third class of “ reprisals ”—there began a series of running fights between the police, now heavily reinforced, and the assassins of the country roads and villages, in which promiscuous shooting must unquestionably have killed and wounded the innocent with the guilty.

The real case against the Government in all this tragic story was not that these innocents sometimes perished, but that “ reprisals ” were never placed from the outset on an avowed and constitutional basis. As the clamour for enquiry rose in England there gradually came into existence something like an official theory of the new activities of the forces in Ireland. It was expressed more than once by Sir Hamar Greenwood and other speakers as the hunting down of a gang of murderers, and the repeated assurance that “ the Terror was being broken,” that “ hundreds of assassins were on the run,” did something to give the policy the justification of success. There seems, indeed, to be little doubt that these apparently promiscuous raids were often accurately directed against criminals whose identity was widely known, though it could never be proved in a court of law. Certainly there were cases in which the threat of “ reprisals ” in a named district has been sufficient to produce a kidnapped officer, or the body of a murdered officer, whose fate had been a mystery. And, while it is true that whole communities of Irishmen are living peacefully, if unwillingly, under a Sinn Fein administration, it is also true that other communities are turning against the long despotism of Sinn Fein under the protection of the “ Black and Tans.”



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But these are examples of the "reprisals" policy just where it has actually been regularised and properly carried out. What stained it from the beginning, and gave the critics their weapon, was the report of other cases in which half-disciplined forces were practically given a free hand to burn and plunder without either the excuse of sudden anger or the limitations of a deliberate policy, and also without subsequent punishment. Reports of this kind are too well authenticated for complete disbelief, and the known character of some of the new recruits, hurriedly enlisted as they were for desperate work, does something to corroborate them. Such cases were probably few in number. They were certainly exaggerated to their utmost political value. The Prime Minister and his colleagues are absolutely right to insist in their speeches on the amazing discipline and forbearance of the forces in Ireland as a whole, and to hold that this character far outweighs the occasional exceptions to the rule. Moreover, there is reason to think that the gradual evolution of an official policy of reprisals is now putting an end to anything that could possibly be described, in Judge Bodkin's phrase, as "competition in crime." But the fact that such a state of affairs could even be debated has at least produced a body of sane opinion about "reprisals." Every true Englishman abominates the notion that his Government should stamp out crime by descending to the lawless underground methods of criminals. He resented "reprisals" in the first instance chiefly because the Government was so secretive about them. On the other hand, he recognises by this time that no ordinary measures are sufficient for the present crisis in Ireland, and is absolutely prepared to support a policy of reprisals so long as they are ordered and avowed by proper authority. Lord Salisbury, speaking in the House of Lords on November 2, expressed his conviction that "there was no remedy except reprisals, but they should be reprisals ordered by constitutional authority. He could not understand (he added) why the Government

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shrank from the responsibility for reprisals which, if authorised and ordered by the Government, would be legal, and would be carried out with the proper discipline which such a policy required.” That is both sound doctrine and a faithful statement of the best English view.

The first and last duty of government is always the maintenance of order. Where order has completely broken down, the normal safeguards against the punishment of the innocent have to be suspended, with the risk or certainty that the innocent will suffer as well as the guilty. A Government may have to instruct its officers under certain contingencies to fire on crowds, with all the chances that mere spectators will be killed. But such authority must come from the Government, be published when made and exposed to criticism in Parliament. The gravamen of the charge made by the Government against General Dyer was that on his own admission he shot hundreds of people, not merely with a view to quelling a riot in Amritsar, which was his duty, but with the further object of preventing the spread of rebellion throughout India, a political question in respect of which he had been given no authority. The Government which dismissed General Dyer least of all governments can afford to leave subordinates in Ireland to take unauthorised measures. It cannot shuffle off on to subordinate officers the responsibility for measures the need for which it has not itself avowed. An officer like Nelson may sometimes save an Empire by exceeding his orders. But if he does so he must do it expecting to suffer for it. No other principle is possible under British institutions. Government must give their subordinates every authority which they deem necessary to repress murder. But that authority must be openly given and defined, and all servants of the Crown must understand that they cannot exceed or depart from their instructions without incurring the risk of punishment.

London. November, 1920.



## INDIA THROUGH INDIAN EYES

TO know how far this or that political movement really counts with the people of India is for the rest of the world no easy task. For most of our information we depend on our fellow-countrymen in India. But the European observer is obviously subject to two disadvantages. Indians will seldom converse without reserve in his presence, while all that he tells us has passed through the brain of an European. Such information as comes from Indian sources is for the most part coloured by a definite political motive. And of late a certain excitement has been manifest in the messages cabled from European sources, which is only to be expected when the strain which everyone there has been feeling for the last few years is remembered.

In any case we get access far too seldom to observations by Indians, who have tried to see and repeat things as they are. For this reason extracts from two personal and wholly informal letters which have reached us from competent Indian observers are published. They will help to bring home to our readers the preponderant influence of religious ideas in political movements of the East. One of them, moreover, contains definite predictions widely different from those suggested in recent cables. This is all the more interesting as the elections shortly to be held will show how far these two views are right or wrong. The writers differ on certain points, but here again the future will show which estimate of the non-co-operative movement is correct.

## India through Indian Eyes

The first letter is as follows :—

The other day I had just time to acknowledge your letter and to thank you for writing to me. You asked for information regarding India. . . .

It grieves me to see how little influence the Moderates carry. If, on the other hand, they were characterised by quiet, solid, educational efforts one would feel that there was more hope. Most of the party are busy men, eminent lawyers, capitalists, great landlords and others who, in the terminology of the nineteenth century, would be said to have a "stake in the country," which really means money and privilege. For the moral resources of the country you must go to the other party, howsoever you may dislike it. Gandhi has it every time. He is a formidable force, but it would appear to me that without him his party would not carry the moral weight they do to-day, and would probably disperse.

As you will realise, the situation of to-day has been aggravated and very largely conditioned by two issues. One of them is the *Khilafat*, over which really there is little enthusiasm except among a group of fanatics. The Punjab affairs, on the other hand, have created a situation in India unparalleled in its history. At the time of the Mutiny Indian opinion was inarticulate, and therefore it is impossible to compare the two situations. Most of us are distressed to find how little the British public cared or regarded their own responsibility towards India. Of course you will realise that the actual events of last year were the culmination of a policy which has been carried out for years. Natarajan, the Indian Social Reformer, very clearly indicated his position relative to these two factors and non-co-operation. The *Khilafat*, he asserts, is a really dead issue. The Punjab affairs, though most serious, must be regarded as exceptional and uncommon ; indeed the very great attention which they attracted both in India and abroad proves that they were exceptional. He believes, therefore, that to base the policy of non-co-operation on these two issues is futile.

The Congress met in Calcutta early in September. The Moderates call it Gandhi's Congress. In a measure this is true. In the first place, speakers were refused hearings who did not issue non-co-operation as a fundamental principle. Mrs. Besant was howled down until Gandhi came to her rescue and restored order. She is a pathetic figure. The other day when the delegates of the Congress were returning to their homes most of the leaders had great crowds bidding them farewell. Mrs. Besant had just one man who looked after her personal arrangements, and in that great crowd of educated Indians not a single other person went out of his way to show her the least courtesy.



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In spite of the fact that the Congress was more or less committed to non-co-operation there were strenuous efforts to bring it back to the pathway of sanity. Bengal, while accepting non-co-operation as a political weapon to be used, urged that a deputation should proceed to England to warn the Prime Minister regarding the situation in India. They urged also that the Congress party should seek election to the Councils but pursue a policy of obstruction. The whole effort was a move to gain time before committing themselves. The folly of non-co-operation was obvious to many. The voting was interesting. Five thousand eight hundred delegates attended the Congress, of whom only 2,600 voted. Of these, 800 were against Gandhi's programme of non-co-operation. The figures reveal that 3,200 of the delegates never went to the polls at all. Lajpat Rai as a chairman was splendid. In his closing address he revealed his practical outlook, developed, I believe, very largely by his enforced residence in America. In his opening address he refused to commit himself; in his closing address he was perfectly frank and declared that the policy adopted by the Congress was futile and impossible to carry out. He wished them well, but did not see any chance of success. Since then, in his daily paper published at Lahore—an Urdu daily—he is systematically battering down the ramparts of the non-co-operation party.

You may be interested to know that the Congress Committee refused to allow the correspondent of one particular paper to be present. This paper last August, at the time of Tilak's death, published a virulent article about him as a man and political leader. This naturally caused very deep resentment, with the result, I am informed, that a boycott has been started by Indians. One public body passed a resolution that no further advertisements from them should be sent to this paper. The Indian newspapers have asked Indians to boycott the advertisement columns. It is estimated that Indian advertisements value two lakhs of rupees a year. It is amusing to see the efforts being made by a rival newspaper to get support from the Indian public. They have been most moderate in their criticism of the Congress, and have taken an opportunity to eulogise the political capacity of the Bengalees, who, they assert, have provided the leaders of India and whose opposition to the practice of non-co-operation demonstrates their sanity of judgment. The net results so far have taken the form of a boycott of the Councils. Practically all the Congress delegates in the Punjab have withdrawn. In Bengal sixteen have already intimated that they will not stand. Madan Mohan Malaviya apparently refused to accept the decision of the Congress and will be a candidate for the Legislative Assembly. In Bombay, as a mark of loyalty to the Congress, a number of leaders, including Baptista, will not stand. On the other hand, the editor of the *Madras Hindu* and some

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advanced extremists like Satyamurti have resigned their membership of the Congress Committee. After the Congress, Gandhi retired to the silence of Bolpur. He has emerged again, but so far has not made any further move beyond declaring his convictions. No practical scheme has yet been put up, but apparently the Congress Committee will work on it and report in December.

Gandhi is the supreme figure of the day. All India talks of him. During my wanderings it is interesting to talk to fellow passengers. The travellers who frequent the first-class carriages, whether Indian or European, are manifestly afraid of Gandhi. He is feared as a disruptive force. This fear quite easily passes into a sentiment of hatred. The second-class mind, or rather the mind whose embodiment travels second-class, looks upon Gandhi as a prophet. He has the message of the age. His life and example are inspiration to many. Piece goods merchants of Amritsar declare that Gandhi is right, that the spirit is greater than matter, that a sacrifice in this heroic time is demanded, and even that violence breeds violence. The other day I heard the following statement as I travelled in a local train in a second-class compartment. A broker asked, "What shall we do about our children? Are they to remain in ignorance?" A Sikh import agent replied thus to him: "Mr. Gandhi says that this is a time of war. We have made our declaration. Now in war everything suffers, education, profession and trade; in Europe whole countries suffered for the sake of liberty. Let us suffer also." Thus it is as we journey through the country. What a contrast to the India of ten years ago! The third-class passenger also speaks of Gandhi. To him he typifies a saviour. What, after all, has the Sarcar done for us? It has taxed us and oppressed us by its police. The landlord has done nothing for us. It is only *Mahatma* Gandhi who can fight both the Sarcar and the landlord.

It is conceivable that there is room in India both for the Moderate and Non-co-operationist. The Moderate and Independent will keep the constitutional machinery running, and thereby store up for himself administrative capacity and political wisdom. All these will be useful to him in the future. The Non-co-operationist may, on the other hand, help to discipline further an idealism awakened in men and communities where at present it may seem non-existent. This is a great *rôle* which they may play, but one despairs of them in the event of the removal of Mr. Gandhi. In the meantime we all need great faith to look into the future—to strive.

I was very much interested in your reference to the Institute of International Affairs referred to in the note on Beer, your American correspondent. Is it not possible for us in India to get into touch with the publications of this institute? Personally the affairs of the Middle East are becoming to me extraordinarily interesting, and



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I am reading everything I can on them. Unfortunately literature is very scarce. I shall be very grateful if you can help me to get into touch with real sources of information. It is no longer possible for us in India to preserve our ancient isolation, and I find now that I can interest quite a number of young men in the situation both in Europe and in the Middle East.

The second letter relates mainly to the United Provinces :—

I have read with much interest the news and articles that have lately appeared in the English Press about the situation in India, and hasten to inform you that the alarmist views taken by some writers are wholly unjustified. I can speak from personal knowledge about the United Provinces only; but you have seen enough of India to judge that the condition of things in one province cannot be much different from that prevailing in others.

To consider how the reforms are received in the country, we must note that we have three classes to deal with. The first is the general mass of the population, consisting of illiterate villagers, the petty town shopkeepers, and so on; the second is the Moderate portion of the educated class, and the third the extremist. The landholders largely come into the first category; those who have received education or lived in cities come into the second. The extremist section does not include any big landholders; possibly it does not include even small landholders. The first class has very, very vague ideas about the reforms. When the electoral lists were being prepared all they thought about them was that some old list was being revised. They had absolutely no idea that they were given quite a new right. When the election campaigns began, and local candidates applied for their votes, they thought that it was something new, but still they could not realise what it all meant. The only thing that they would consider it safe to do under the circumstances would be to give their votes to their well-known man. The Indian villager's shrewdness and caution would never allow him to give his vote to young lawyers or journalists, whatever their promises may be. He will give his vote to the well-known old Zemindar or a senior member of the Bar, and so far as he is concerned the matter ends there.

With regard to the Moderate leaders, it may be said that they have welcomed the reforms and are ready to take full advantage of them. They have started their election campaign, and where the contest lies between a Moderate and an extremist, the former is sure to win. The extremists have denounced the reforms and made their position impossible. If they could get in at all, they were

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bound to be in a negligible minority ; so their dream of obstruction could not be realised. In this position they started the non-co-operation movement. It was the wisest thing for them to do. They have saved their time, money and energy. They are, however, trying to use them in worse objects. But again they have met and are bound to meet with further defeats. Malaviya has refused to follow non-co-operation ; Gokoran Nath Nusra has resigned his membership of the extremist National Congress, and the Trustees of the Aligarh College have stoutly refused to listen to Mohammed Ali's request to reject the Government grant and the university charter for the College—are we to attach more importance to these actions of our leaders, Hindus and Mohammedans, to the harmonious co-operation of officials and non-officials in founding a university at Lucknow to be followed by others, or to the resignation of a *Rai Bahadurship* here and a *Khan Bahadurship* there.

With regard to the influence of Mr. Gandhi, we have to consider it with regard to the same three classes I have mentioned above. The average villager in the United Provinces has not heard of Mr. Gandhi. The average townsman saw his name on the placards last year. He is told that Gandhi is a *Mahatma* (a person of supernatural powers), he has done a lot and will do more for the country. If he knows his informant, he will probably believe him, though reluctantly, for he cannot see any tangible effects of Mr. Gandhi's endeavours. If Mr. Gandhi comes to visit his town he will come out to see the *tamasha* (the ceremonial reception) ; he may also go to hear him if he does not happen to be busy at the time, but when he will be asked to take away his son from the school or to evade payment of taxes with the necessary consequences so well known to him, or to do without the established courts of justice, he will simply say, "No thank you." Even the *Hartal* is losing its charm. Even at the risk of being lengthy I will relate an incident that happened in my district last year—on one of the *Hartal* days.

The members of the Bar, seeing what had happened at Agra, went to the courts and attended to their business as usual. The shopkeepers got annoyed at this, and asked their leaders what they meant by preaching *Hartal* for others and doing business themselves. The lawyers explained that they were practically bound by the same rules as the Government servants. This did not satisfy the shopkeepers, and they said that the trick would not succeed next time.

Very much like this was the retort given by an old *Khan Bahadur* who was asked to renounce his title. He said, "My friends, I will renounce my title at once the moment I see all of you throwing away your diplomas, and thereby giving up your practice at the courts."



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This is the attitude of the general public. As to Moderates among the educated classes, they have strongly criticised Mr. Gandhi's policy. They admire his courage and self-sacrifice ; they are grateful to him for his services to the country, but they have ceased to look upon him as a safe guide ever since he started the *satyagraha* movement. And with this non-co-operation movement he has lost whatever influence he had with the Moderate leaders.

As to extremists, they certainly look upon him as a reliable leader, reliable in the sense that he can be relied upon to support anything and everything that goes against Government. But being at the head of the extremist party does not give Mr. Gandhi any influence in the country. A man here and there may admire, even worship him, but the question is how many are prepared to make the sacrifices he asks for. How many even among the leaders of the party have followed his commands ? The thing is that the non-co-operation movement was impracticable, and could not therefore live long. It had far less vitality than the boycott movement started at the Partition of Bengal. The latest letters from India are quite hopeful. Even the Bombay correspondent of the *Times* appears to be correcting the gloomy forecast he wired in September.

With these remarks I close my letter. If the Ministers at home do not waver in the policy enunciated for India, and the Ministers and officials in India trust and respect each other, the future of India will be bright in spite of the extremists.

# CANADA

## I. REPRESENTATION OF CANADA AT WASHINGTON

FOR twenty-five or thirty years there has been a movement in Canada in favour of appointing a representative at Washington. One of the first advocates of the proposal was the late D'Alton McCarthy, who assuredly was not actuated by any hostile feeling towards Great Britain, nor by any desire to weaken the connection between the Dominion and the Mother Country. Mr. McCarthy was one of the most influential members of the old Imperial Federation League, and one of the first to suggest a fiscal preference for British imports into Canada. It is believed, although no definite evidence in support of the belief has ever been produced, that Sir Wilfrid Laurier acted chiefly upon Mr. McCarthy's advice and persuasion when he established the British preferential tariff. For Mr. McCarthy separated himself from Sir John Macdonald over questions affecting the French language and Roman Catholic schools in Canada, and drifted into a close personal and political relation with Laurier and the Liberal Party. But Mr. McCarthy thought only of a commercial representative of the Dominion at Washington, and this also was the original conception of the Laurier Administration.

For reasons which have not been disclosed, Sir Wilfrid Laurier never actually appointed a Canadian minister at Washington, nor did the Borden Government, although a few years ago it was definitely understood that Sir Douglas Hazen had been offered and had accepted the appointment.



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At the last session of Parliament an appropriation was voted to maintain a minister at the United States capital, and an immediate appointment to the office was expected. It was understood that through long negotiation with the Imperial Government an agreement was effected which would ensure harmonious co-operation between the Imperial ambassador and the Canadian minister, and repose actual ambassadorial power and dignity in the representative of Canada. But again there is delay, and for this two reasons are offered. One of the reasons is that there are no candidates for the office, and the second reason is that the Government desires to keep the appointment open for Sir Robert Borden if his health should be fully re-established and he could be induced to take the office.

It is, however, not certain that these reasons fully explain the decision of the Canadian Government to delay the appointment. There was no expectation that other Dominions would desire to follow the example of Canada. This country has a geographical relation to the United States, and social and commercial connections with the republic which the other Dominions do not possess. Indeed, the interests of Canada at Washington are as intimate and direct as those of the United Kingdom, and it has been contended that those interests can be better interpreted and protected by a Canadian minister than by any British ambassador, who cannot have full knowledge of conditions in Canada, and at best can have only an indirect relation with the Canadian Government. For many years, indeed, the British ambassador at Washington never set foot in Canada. Mr. Bryce was the first to recognise the wisdom, if not the absolute necessity, of personal contact with the Canadian people and the Government at Ottawa. But even yet the suspicion persists that the British ambassador has only an indirect interest in the affairs of Canada, and acts on the assumption that salutary neglect of Canadian representations is the wiser, or at least the easier, method of dealing with problems which are not of

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urgent Imperial concern, but perhaps of high consequence to Canada.

There has been a tradition in the Dominion, which impartial historical inquiry tends to disturb, that Canadian interests again and again have been sacrificed at Washington by British diplomats who were ever ready to satisfy American demands with concessions at the cost of Canada. If this ever was true it is true no longer, but extreme autonomists still cherish the old notion, and insist that diplomatic representation at Washington is a necessary condition if the equal status of Canada in the common Empire is to be established. To a degree both Sir Robert Borden and Hon. N. W. Rowell are constitutional perfectionists, and they have been perhaps the chief advocates among Canadian statesmen of diplomatic representation at Washington. There is reason to think that Imperial Governments have doubted the practicability of dual representation, while anxious to discover a method by which the full authority of Canada should be continuously asserted through the British Embassy. Manifestly a Canadian attaché would not be a complete assertion of Canadian sovereignty. On the other hand, it was seen to be difficult, if not impossible, to vest in the representative of Canada powers and responsibilities equal to those which must be exercised by the British minister. Nor is it certain that the Canadian representative, under any agreement or understanding which may be devised, can enjoy the social and political dignity which attaches to the representative of the Empire as distinguished from the appointee of a section of the Empire. For example, the Canadian minister would not be content with a position of social or political inferiority to the agent of a petty republic, and yet he could not be recognised as the minister of a sovereign state so long as the country which he represented was but one of the constituent elements of a Commonwealth of five nations under a common sovereignty. It is understood that under the agreement developed by the



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Canadian and Imperial Governments the representative of Canada was to be the channel of communication between Ottawa and Washington, to be accredited to the President by the King, and in the absence of the British ambassador to be the head of the British Embassy and responsible alike for Imperial and Canadian interests.

As has been said, it was not foreseen that other Dominions would desire to follow the example of Canada. But Australia has also announced its intention to send a minister to Washington, and there is no assurance that New Zealand and South Africa may not desire to do likewise. None of the Dominions will be willing to have a less complete sovereignty than Canada, and each will want a relation with the British ambassador at Washington as intimate and authoritative as the representative of this country may enjoy. Surely there is danger that an element of uncertainty and confusion will be introduced into the Councils of the Empire, and that its unity and power of decision and action will be impaired. It is not likely that Imperial ministers will urge these considerations unduly, but the Dominions, which can have no other desire than to unify and strengthen the Empire, can afford to think deeply upon the possible ultimate consequences of a dual diplomacy and a divided authority at foreign capitals.

It is true, as *The Montreal Gazette* has said, that "none of the other Dominions is so situated as Canada in proximity to a foreign nation;" but the other Dominions have problems which enter peculiarly into their relations with other nations, and there is danger of a division in Imperial diplomacy which will lessen the power of the Empire to protect the common interest and effect a dangerous separation between national and Imperial affairs which can have no fixed boundaries, and which may be national to-day and Imperial to-morrow. Under the heading "A Dignity Postponed," *The Montreal Gazette* says it is apparent from Washington and Ottawa despatches that the day which

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is to see a Canadian minister plenipotentiary established at Washington has not come.

"At any rate," it adds, "and for whatever reason, a postponement has been determined upon, a reasonably satisfying explanation being that Sir Auckland Geddes is a Canadian by long association and residence and that his presence as Ambassador will meet all Canadian requirements. The stay which this involves will do no harm. Canadian interests are not likely to suffer materially by it, and the interval will afford opportunity for giving the project more thorough consideration and study than it has yet received."

The *Toronto Mail and Empire* has only approval for the proposal to appoint a Canadian minister to the United States under the conditions agreed upon by the Canadian and Imperial Governments. It points out, however, that "only a man whose life, character, and service single him out as a high type of Canadian ought to be appointed to an office to which so much honour and responsibility are attached," and it suggests that Sir Robert Borden has peculiar qualifications for the appointment. It thinks that those who oppose the idea have not understood the processes by which the Dominions have been evolved into nations, and believes "They will see that the Empire has the same constituents as ever, and that the bonds, instead of being weakened by the entry of the Dominions into the family of nations, are thereby further strengthened." The *Winnipeg Free Press* is disturbed over a despatch from Washington that the appointment has been deferred, and that in the meantime Canadian interests will be in the hands of Sir Auckland Geddes, who, because of his long residence in the Dominion, is regarded by Canadians as having full personal knowledge of the aims and needs of their country. It declares that the British Foreign Office has been credited with discouraging the appointment, and while admitting that such charges should be accepted with necessary reserve, insists that the statement from Washington is "sufficiently disquieting to suggest that the whole issue should be made intelligible to the



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Canadian people." It reminds the country that Sir Robert Borden refused to submit papers concerning the appointment to Parliament or to make any specific statement of the position the Canadian ambassador would occupy at Washington. The impression left upon the country, according to the *Free Press*, was that the Government's reticence had its origin in London, and although Mr. Bonar Law had denied that Great Britain had exercised pressure at Ottawa, "there has been left a feeling that there were interchanges of views between the British and Canadian Governments that neither Government is willing to make public." It contends that secrecy in such negotiations is not desirable, that if the British Government has objections to the appointment the fact should be made known to the Canadian people and the reasons behind them frankly stated, and that "open diplomacy within the family circle" is essential to confidence and co-operation in the general interest.

"The situation as it has been left by the Borden Government," says the *Free Press*, "is unsatisfactory. There is a want of knowledge about the whole proceedings, and a feeling has been aroused that moves are being made behind a curtain that would not well stand the scrutiny of open inspection. This has now been accentuated by the Washington despatch. To reassure the public mind the Government should take the people of Canada into their confidence, and the matter should engage the attention of Parliament at the earliest moment. Questions of the kind far outweigh in importance many of the issues holding the general attention, and it is to the interest of Canadians to rouse themselves to their true nature, as the decisions now being made will be far-reaching in their consequences."

The *Toronto Daily Star* suggests that while there has been no general election in Canada there has been a change of Government. It emphasizes the fact that Sir Robert Borden and Mr. Rowell handled the negotiations over the proposal to appoint a Canadian minister at Washington, and alleges that since they left office "scarcely a word has been heard of the advanced policies which they upheld."

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The *Star* points out that the appointment to Washington has been dropped or at least delayed, and that the Imperial Conference to adjust "the terms of equal nationhood" has also been postponed, and it suspects that in the meantime the Colonial Office will endeavour to recover its prestige.

*La Presse* has an energetic protest against "secret diplomacy." It insists that only by frank and full ministerial explanations will Parliament be able to judge "if all this business about the Dominion having her own diplomatic representative at Washington is not camouflage, and a trick by which the party in power will make political capital by spreading abroad the impression that, thanks to its efforts, Canada has conquered an enviable place in the assembly of the Allied nations."

"Unhappily," *La Presse* continues, "if we look at what has happened up to the present time, we shall see that the Dominion is considered to be 'a free and independent nation,' especially when it is a question of paying the costs, as in the case of the League of Nations. On other occasions our prestige falls as if by enchantment. Is the Government trying to perpetuate a situation like this by putting on the cloak of a mock diplomatic representation at the United States capital? The public has a right to know, and it is only by obtaining from the Government leaders clear and precise explanations that it will be in a position to fairly judge the situation."

From Ottawa there is a late official or semi-official denial that the proposal to appoint a minister to the United States has been abandoned. The despatch again explains that there are no candidates for the office, and adds that in any event no action will be taken until a new administration is installed at Washington. It has to be remembered that the American Government must approve the status of the Canadian minister, and that American diplomatic practice must be reconciled to the conditions governing the Canadian appointment. There is, however, no reason to anticipate serious objection at Washington, and it is certain that the settled judgment of Canada will not be opposed by the Imperial Government. But it is



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manifest that the step which the Canadian Government contemplates may have far-reaching consequences, and it is desirable that nothing should be attempted which in practice would prove to be elusive and impracticable. There is all to be said for appointment of a Canadian with the necessary qualifications to the office of British ambassador at Washington, and the long result, no doubt, of the Canadian experiment and the recognition of the Dominions as equal nations will be to open the great ambassadorial positions in the Empire to the statesmen and publicists of the oversea British countries.

### II. BRITISH VISITORS AND IMPERIAL PROBLEMS

**D**URING the last two or three months there has been much discussion in Canada of the interests and problems of Empire. Whatever impression may have been made in Great Britain, the Imperial Press Conference was a singularly happy and interesting reunion of journalists from all the British countries. The immediate practical results may be difficult to describe, but at least it was of signal advantage to Canada that so many leaders in British journalism should have been brought into such intimate relation with its people and have acquired such knowledge of its institutions, resources, conditions and prospects. It may be that the actual Conference at Ottawa was not impressive nor its deliberations of exceptional interest or significance. The Conference, perhaps, wisely ignored all those problems which are the natural concern of statesmen and Governments, and confined itself to questions of direct interest to editors and publishers. Resolutions were adopted in favour of cheaper cable communication throughout the Empire, and prices of paper and the relation of Canada to the paper supply of other British countries were exhaustively considered. But it was recognised that in production and supply of paper commercial

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considerations must prevail, and that only by investment of capital and a greater output could the situation be improved. The Empire Press Union, as instructed by the Conference, will endeavour to induce the Governments of Great Britain and the Dominions to provide direct and cheaper cable communication in recognition of the necessity for freer and fuller inter-Imperial news services, but it was insisted that freedom from Government control was an imperative condition. The delegates were freely entertained by the Dominion Government, all the Provincial Governments, and many towns and cities, while it was universally admitted that the organisation by the Canadian committee of every detail of the long pilgrimage from Sydney on the Atlantic to Victoria on the Pacific was singularly complete and efficient. There were many banquets and many speeches, and unquestionably the cumulative effect was to inspire devotion to British institutions, emphasise the position of Canada as the interpreter of the Empire on this continent and a medium of good relations between the British and American peoples, accentuate good feeling between the French-speaking and English-speaking elements of the Canadian population, and strengthen the title of the Press to public sympathy and respect.

It was also the good fortune of Canada to have many of the commercial leaders of the Empire in attendance at the Congress of Chambers of Commerce at Toronto. Naturally the Congress covered a far wider range of subjects than the Press Conference, while there was no such concern to avoid controversial issues or even to evade those which divide political groups and parties. The chief object of all the deliberations and resolutions of the Congress was to strengthen the unity of the Empire, lessen its commercial dependence upon other countries, and harvest its resources for the common advantage. For example, resolutions were adopted in favour of confining immigration within the Empire; of co-operation to secure and maintain its



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food supply ; of a central Statistical Bureau in London to furnish information concerning conditions and resources throughout the Empire ; of better steamship connections with the United Kingdom ; and a more thoroughly organised system of Imperial transportation. The Congress also suggested greater attention to forestry within the Empire ; direct cable communication between Great Britain and the Dominions, and between Canada and the British West Indies and British Guiana ; a fixed date for Easter throughout the Empire, and uniform laws relating to trade-marks, designs and copyright. Other resolutions advised that all shipping between different portions of the Empire should be regarded as coastwise shipping ; that free ports be established at the terminals of great railway systems throughout the Empire ; that a twenty-knot steamship service be operated between Great Britain and Halifax in winter and Quebec in summer ; that the Imperial and Canadian Governments negotiate to secure marine insurance rates for Canadian ports as low as those for New York ; that the Canadian Government be reminded that powerful steamers and ice-breakers make winter navigation of the Baltic possible, and that by like equipment navigation of the St. Lawrence could be extended ; and that customs officials throughout the Empire should be required to agree upon a uniform wording of invoices for customs declaration. For a resolution urging fiscal preferences throughout the Empire unanimity could not be obtained. The vote, however, was 85 in its favour and 21 against. The debate discovered a group of faithful adherents to the old teaching of the Manchester economists. There was difference of opinion also over the proposal to call a conference to consider stabilisation of exchange within the Empire. While the resolution was finally adopted in the conviction that the object was desirable, and that a conference could perhaps achieve some practical result, it was made clear that the par of  $\$4.86\frac{2}{3}$  was the only rate at which exchange between Canada and London could be established,

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and, therefore, in consideration of the great balance of trade against Canada in its dealings with the United States, the value of the pound and the Canadian dollar must be nearer a parity before the proposal was practicable for the Dominion. The Congress of British Chambers of Commerce and the Imperial Press Conference have revealed and emphasised the very influential relation of Canada to many vital Imperial problems, and impressed the Canadian people with their direct and inescapable responsibility for the organisation and evolution, the unity and security, of the Imperial Commonwealth.

A statement by Lord Desborough that the next Imperial Conference would sanction the organisation of an Imperial Cabinet, and that to this project Mr. Lloyd George was committed, has evoked both approval and dissent. Many representative Canadian journals insist that before any Imperial Conference undertakes to provide a constitution for the Empire or to alter the existing relations between Great Britain and the Dominions there must be open consideration of the whole question in the Canadian Parliament, and definite instruction of the delegates who will speak for Canada. It is known that the Canadian Government has not been favourable to a Conference in 1921 to consider constitutional reorganisation. Even Sir Robert Borden has declared that more time is required for examination of all phases of the situation before a conference is called for such a readjustment of relations between the Mother Country and the Dominions as war experiences and the admission of Dominion representatives to the League of Nations has made necessary. There is even a hope that the Constitutional Conference will be held at Ottawa in recognition of the new *status* of the Dominions and the necessity for full concurrence of the oversea countries in any constitutional changes which may be recommended for acceptance by the parliaments of the Empire. For it is held that not only adequate preliminary debate, but subsequent parliamentary ratification are the



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essential conditions of safe and effective constitutional readjustment. It is true also that the political outlook in Canada is too uncertain, and the political leaders too deeply absorbed in domestic problems, to give adequate attention at the moment to the wider problems of Empire. Moreover, it is doubtful if Canada can wisely enter such a conference until the people in a general election have determined which party or what combination of parties shall have authority to speak for the Canadian people. The *Toronto Daily Star* for example, declares that :—

The postponement of the Imperial Conference until 1922 will permit the over-holding tenancy of the Meighen Government to expire before the conference is held, and Canada will be represented at the conference by a Government fresh from the country and after a general election, in which, we hope, there will have been a thorough discussion of Canada's new *status*, based on more information than has been made public—including all the correspondence between Ottawa and London on the subject.

The *Regina Leader*, one of the most influential of Western journals, argues that the machinery which was set up during the war to co-ordinate Imperial efforts was improvised to meet an emergency, and it by no means follows that what was successful under pressure of war conditions "will be suited to the more careful, critical, and leisurely manners of peace-time." It thinks there is no objection to delay if the object is to ensure that the problems involved may be studied more closely, but "if it is being sought in order that the Dominion premiers and politicians may be converted to some particular plan already devised in Downing Street, the delay will not assist in reaching a stable conclusion." The *Leader*, however, emphasises the necessity for preliminary discussion, and seems to favour association of the leaders of parliamentary oppositions with the Prime Ministers of the Dominions in the delegations to the Constitutional Conference. It adds :—

One danger associated with proposals for a new Imperial organisation is that an endeavour may be made to keep them "out of

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politics." This would be fatal to their ultimate success. The rights, powers and obligations of the "new nations" of the Empire constitute the highest order of politics, and cannot be kept out of political discussions at home or anywhere else. The best chance of a successful solution of the Imperial question lies in the frank and open dealing which will tend to secure unanimity within each unit as well as among them.

The *Toronto Mail and Empire* gives its support without reserve to the creation of a permanent Imperial Cabinet as the natural successor of the War Cabinet, in which Sir Robert Borden saw the germ of a constitutional development which ultimately would be the basis of unity between the Dominions and the Mother Country. It instances naval defence as one of the questions which requires close co-operation between all portions of the Empire, and argues that "since the whole of the Empire is involved in the issues of peace or war, as they may develop, some organ of continuous consultation and distribution of responsibility is absolutely necessary in order that the Dominions, while retaining their autonomy, may adequately share Imperial responsibility."

The Winnipeg *Free Press* manifests impatience, if not positive anger, over the delay in constitutional reorganisation, and laments that "the new wine of the modern Imperial dispensation has been poured back into the old bottles." It suspects there is some kind of understanding among the Governments of the various Dominions to let things remain as they are for a while, even though the anomalies and inconveniences of the situation are far more onerous than they were when the status of the Dominions was admittedly that of subordination. Quoting the statements of General Smuts that the constitutional problem is to find new formulas to fit new conditions, and that "The British people must realise this great constitutional fact that there must be a complete equality and freedom enjoyed by the sister States and united by the King," the *Free Press* continues:—

"The explanation for this procrastinating timidity appears to be



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that there is a fear that if the nominal garb of inferiority and subordination is displaced by the *toga virilis* of nationhood, there will be a drifting apart of the British peoples. One would think that the experience of these peoples would by now have destroyed the persistent delusion that unity can only exist when there is a relationship of domination on one side and subordination on the other. The danger of friction in reality rests in the perpetuation of a relationship of inequality against which increasing numbers in each of the Dominions chafe. Ten years dawdling and cowardly evasion will see formidable Republican separatist movements in every British Dominion, whereas a prompt and thorough-going recasting of our Imperial relations in keeping with the ideas of General Smuts will tend to check these disruptive influences which are already in evidence, and will make possible the erection of a firm British League of Nations upon the foundation supplied by the old Empire."

This is in striking contrast with the reasoning and standpoint of the *Montreal Gazette*, which suggests that there is a disposition in the discussion of Imperial relations not perhaps to put the cart before the horse, but to give the cart less attention than it seems to deserve.

"There has been a great deal of jubilation in Canada," says *The Gazette*, "over the supposed new *status* of the Dominion, but no one has yet come forward to say just what has been done to bring about the change or in what the change consists. Nor has there been any disposition to consider the additional and, perhaps, heavy responsibilities which must be assumed if all these glittering claims are to be made good. Canadians, for the most part, were pretty well content with the pre-war scheme of Imperial relations, a scheme which was not found to be in any sense or degree defective in the time of greatest trial. If it stood the shock of 1914—and everybody knows that it did—it must have been good in principle or it would not have given the splendid practical results which came spontaneously from it. It will be well, therefore, if the Imperial Conference, when it again assembles, first comes to a clear and satisfying decision as to what are the new conditions before seeking new forms to fit it."

*La Presse*, emphasising Mr. Asquith's "subtlety" in the admission that Great Britain seeks the co-operation of the oversea Dominions in the work of developing the Empire,

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interprets his language as meaning that to spill their blood and pour out their money is the "tremendous honour" that he would reserve for the oversea peoples, while Mr. John S. Ewart, K.C., still discovers "the very natural determination of the British Government to keep control of us in every way possible." He finds that "as in all previous history, surrenders are but grudgingly conceded," and suggests that "we must comfort ourselves with the consciousness of real progress along the path of independence."

Associated with the consideration of an Imperial Cabinet is an active examination of the position of the Imperial Privy Council and its relation to Canada. At the annual meeting of the Canadian Bar Association at Ottawa, Lord Cave, who has delivered a series of addresses throughout the Dominion on problems involved in the judicial and political organisation of the Empire, urged the need of an Imperial Executive Council which, though not a law-making body nor a full-powered executive body, should consult upon questions of common concern and submit recommendations to the Governments of the Empire. Mr. Raney, Attorney-General for Ontario, who followed Lord Cave, took advantage of the occasion to restate his argument against continuation of the Judicial Committee of the Privy Council as a final court of appeal for Canada. According to Mr. Raney "a nation cannot be a nation and have its ultimate court of judicial appeal located outside its own boundaries and independent of its own Government." This view has the support of the *Winnipeg Free Press*, which believes that "appeal is not a link of Empire so much as it is a surviving badge of a *status* that has lapsed." Other influential journals agree with the *Free Press* and Mr. Raney, but there are evidences that opinion in the legal profession is hardening against the proposal to abolish appeals, and that the Federal Parliament will be reluctant to further the movement in which Mr. Raney is engaged. Indeed, there are signs



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of a reaction against the demands of the constitutional revolutionists, and a disposition to ask what will be the logical ending of proposals which, recommended as new sanctions of Empire in practical application, would deny the necessity for common action to maintain and protect common interests and prevent all organised co-operation between the five nations which constitute the Imperial Commonwealth.

It may be added that the proposal to endow Ireland with the full measure of autonomy enjoyed by the Dominions excites no enthusiasm in Canada. The Self-Determination League has just held a conference at Ottawa, at which complete independence for Ireland was demanded, and to which Mr. Armand Lavergne, of Quebec, brought the blessing of French Nationalists. An organised attempt was made to induce the Ontario or the Federal Government to prohibit the meeting, but it was wisely decided that such extreme action was unnecessary. So far as one can discover, the position of Mr. Lloyd George commands general support in Canada, although many Canadian opponents of Home Rule probably would rejoice if the Irish people could agree upon the provisions of a provincial constitution embodying the widest powers of self-government. For Sinn Fein, however, there is no toleration, and it is certain that recognition by the Imperial Parliament of an Irish Republic would ruinously affect British prestige with the Canadian people. Whatever effect the demands and actions of Irish extremists may have had in the United States, there can be no doubt that the cause of Irish self-government has been injured in Canada, and from all that can be learned many Americans who have been in sympathy with the Home Rule movement, have come to regard Sinn Fein excesses as a justification of Ulster, and the British Government as weak rather than strong in its dealing with Ireland. A phase of the Irish question is emphasised by the *Toronto Globe*, which for half a century has been a consistent advocate of Irish self-government. "If Ire-

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land," it says, "is to be relieved of her just share of the debt incurred by all the Britannic peoples during the Great War, if she is to contribute nothing to her own defence and that of the Empire, injustice will be done to the Canadian and Australasian and British food producers who must compete with Irish products in the markets of the Empire, and pay not only their own fair share of debt and defence expenditures, but hers also." The *Winnipeg Free Press*, also favourable to Irish self-government, admits that "full Dominion Home Rule is not practicable unless Great Britain is content to grant it knowing that it is merely preliminary to the erection of Ireland into a Republic." But the truth is that Canada has grown weary of "the Irish question," and there are very few constituencies in the country in which a political candidate could afford to express sympathy with Sinn Fein or adopt a more favourable attitude towards the Irish agitation than was taken by Mr. Lloyd George at Carnarvon.

### III. POLITICAL AND INDUSTRIAL CONDITIONS

THE by-elections in Nova Scotia and New Brunswick gave a more decisive verdict in favour of the Meighen Government than was generally expected. It must be remembered, however, that ministers were the candidates, and there is always a natural reluctance to defeat men who have just taken office. In Colchester, Nova Scotia, Mr. McCurdy, Minister of Public Works, was elected with a majority of over 1,400 where, only a few weeks before, candidates representing the United Farmers were returned in the general election for the Provincial Legislature by 800 majority. In St. John, New Brunswick, Mr. Wigmore, Minister of Customs, had a majority of 4,000 over his Liberal opponent, but unquestionably the desire of St. John to have representation in the Cabinet contributed greatly to the result. In Colchester the farmers sustained



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their first defeat in a federal by-election, but whether or not this indicates that the political movement among farmers has begun to recede one may not predict. It has been believed that the farmers' party would make least headway in Quebec and the Atlantic Provinces, and such prophecy seems to have been sound enough, but at least in the Prairie Provinces there still is remarkable vitality in the agrarian movement.

During the last few weeks a committee of the federal Cabinet, with the Minister of Finance as chairman, has been hearing witnesses who had reasons to offer why the tariff should be reduced, retained or increased. The farmers offered a formidable volume of evidence in favour of reduction, and generally they were definite and logical in statement and argument. The manufacturers were not less active, but could draw little evidence in favour of protection from Western agriculturists. The Cabinet Committee will also hold sittings in Ontario, Quebec and the Atlantic Provinces, where the manufacturers probably will wage more than an equal battle with their agrarian opponents. Even in the West, however, the farmers would not contend that immediate and complete free trade was desirable or practicable in Canada. They argue only that the farm and the household are burdened by excessive fiscal taxation, that heavier imposts should be laid upon industrial profits, inherited wealth, incomes and unoccupied land values, and customs duties radically reduced and so adjusted as to cheapen farm production and fall upon luxuries rather than necessities. This is also the policy proclaimed from platform to platform by Mr. Mackenzie King, leader of the Liberal Party, who has held many crowded meetings in older Canada, and is now speaking nightly in the Western Provinces. Mr. Meighen, leader of the new National Party, has also addressed many meetings in the East, and later will follow Mr. King into British Columbia and across the Prairies. There is no prospect of an immediate general election, but there can

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be no doubt that when the Government does go to the country, the tariff, as in so many contests in Canada, will be the chief issue between parties.

Two or three months ago there was no thought that the Government could survive a general election. But the satisfactory majorities secured by Government candidates in St. John and Colchester, and the manifest revival of spirit and confidence among the Coalitionists under Mr. Meighen's leadership have affected the outlook. If impending by-elections in Ontario and British Columbia should also result in favour of the Administration, the new party at least will feel that it is not foredoomed to defeat. Mr. Meighen was greatly encouraged by a series of meetings which he held in the Eastern Townships of Quebec. Although these townships now have a dominant French population, there was something singularly cordial and spontaneous in his reception. In all his speeches the Prime Minister appeals for a good understanding between French and English, for a truce to strife, misjudgment and suspicion, and for the acceptance by Quebec of equal representation in the Cabinet and full authority in the public councils. Whether or not he ever gets a response in votes, he has had a response in manifestations of sympathy and personal goodwill for which he is grateful. Mr. Meighen does not forget that Quebec is protectionist, and probably believes that if he can get a hearing upon that issue the prospects of the Government will be enormously improved. Naturally Mr. Meighen's opponents in Quebec resist these advances, and suggest that a wooing inspired—as they say—by political necessity should not succeed.

The Government still faces many vexing and perplexing problems. The fall in wheat prices has led to a resolute, organised demand by the Western Grain Growers for a fixed price and restoration of wheat control. If the demand is conceded there will be angry protest from the town communities. If it is not, the leaders of the agrarian



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movement will have a fresh and formidable ground of appeal to Western farmers. It is certain that the Government is not disposed to yield unless in the highly improbable event of a restoration of fixed prices in the United States, or a guarantee of purchase by Great Britain. Even more disturbing is a difficult situation which has developed in the sugar industry. Until a few weeks ago prices of sugar were fixed by the Board of Commerce. The refiners were urged, if not actually commanded, to hold adequate supplies, and requests to be allowed to export were refused. When prices collapsed they held sugar to a total value of \$60,000,000, and admittedly the whole industry was on the verge of ruin. The Board of Commerce, recognising that it was not without responsibility for the situation in which the refiners found themselves, issued an order fixing the price of sugar by retail in Canada until the close of the year at 21 cents a pound, as against from 11 cents to 17 cents in the United States. But over this decree there was such an angry and universal protest that the Government intervened, suspended the order and provided for an open inquiry before the Cabinet into the position of the refiners and the reasons for the Board's action. As a result of the hearing, suspension of the order was made permanent. The Government disclaimed all responsibility for the order of the Board, but it is not easy to convince the public that ministers had no knowledge of its intention. Four of the six sugar refineries have been closed, throwing 2,500 workers out of employment, and there has been a sensational fall in the value of the shares of some of the companies.

In Canada, too, as in other countries, there is contraction of credit, prices are falling, manufacturers have fewer orders, and there is an increasing number of idle workmen in the industrial centres. The general situation, however, is not alarming. There has been no general reduction of wages. The harvest was one of the best ever gathered, and high prices assure general prosperity in the rural

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communities. The luxury taxes imposed during last session have increased the public revenue beyond all expectation. It is believed that the total income for the financial year from all sources will exceed \$600,000,000. Indeed, the revenue is so abundant that it may be possible to repeal or reduce the levies upon excess profits and leave the industries a greater reserve of capital essential for continuous operation and expansion in a season of falling prices. But the conditions in Canada as elsewhere create many problems for government, the public temper is anxious and unsettled, and the clamour of social and economic healers produces confusion and mischief.

Canada. October, 1920.



## AUSTRALIA

### I. SIR SAMUEL GRIFFITH

THE death of Sir Samuel Walker Griffith, who had recently resigned the Chief Justiceship of the High Court of Australia, owing to ill-health, removes one of the most eminent personalities of Australia.

Sir Samuel had won distinction at the University, at the Bar, and in politics ; but the memory of his earlier achievements has been eclipsed by the outstanding greatness of the part he has played, during the last quarter of a century, first in the framing and then in the judicial interpretation of the Constitution. Endowed at the outset with brilliant intellectual faculties, a keen delight in their exercise, and a prodigious capacity for work, Sir Samuel Griffith's legal learning and wide political experience established his position as the foremost constitutional lawyer in Australia. In the Federal Convention of 1891 he was the chief draftsman of the "Draft Constitution," which was the basis upon which the present Constitution of the Commonwealth of Australia was built up. Two years later he became Chief Justice of Queensland, and was thus debarred from active participation in the work of the National Convention of 1897-8. But when the High Court of Australia was established in 1903, Sir Edmund Barton, who was then Prime Minister, with characteristic insight and generosity, selected Sir Samuel Griffith for the distinguished position of first Chief Justice of Australia, and himself accepted the position of Senior Puisne Justice.

## The Continuance of War Powers

During the sixteen years of his presidency of the Court, Sir Samuel consolidated his fame as a great jurist. And especially in the task which devolved on the Court of laying down the principles of interpretation of the Australian Constitution, his keen analytical faculty, and his wide constitutional knowledge were invaluable to his colleagues and to the country. Of course, the ark of the Constitution will not stay for ever precisely as he left it. Like all human activities, the process of constitutional interpretation is subject to the laws of development and change. But the tradition which he founded is a great national possession; and it can be safely prophesied that the reputation of the Commonwealth's first Chief Justice as a great statesman and a great jurist will increase with years.

### II. THE CONTINUANCE OF WAR POWERS

THE Government parts very reluctantly with the arbitrary powers with which it was invested during the war. The Federal War Precautions Act, which corresponded to the English D.O.R.A., put powers in the hands of the Executive Government of the Commonwealth as great as have ever been previously possessed by British administrators in any British possession. To begin with, it practically suspended the constitutional restrictions which, in peace time, prevent the Commonwealth from interfering in matters reserved to the States. The federal sphere of authority is constitutionally limited to those matters which are expressly vested in the Commonwealth. As interpreted by the High Court, this Act enabled the Commonwealth to invade any sphere and take any action which, it asserted, contributed, however indirectly, to the successful prosecution of the war. Under its provisions, the Commonwealth Government fixed the prices of commodities in every State, introduced a moratorium for debtors, took almost complete control of the operations



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of Trading Companies, established pools for our principal products, and generally intervened in numberless intra-State transactions which hitherto have been regarded as exclusively within the province of the States. A series of High Court decisions supported this extension of Commonwealth power, as an exercise of the express power of the Federal Parliament to legislate with respect to the defence of Australia.

This, however, was not the only reason why the War Precautions Act was popular with Federal Ministers. It was certainly a great advantage to them to be relieved of the irritating restraints upon the exercise of power which are implied in the possession of independent governing power by the States. It was a still greater advantage to be able to legislate without requiring the direct sanction of Parliament. Almost any purpose could be achieved by the mere gazetting of a regulation. The natural effect of such a state of things was to invest the Executive Government with almost absolute powers. During the war these conditions were accepted by the State Governments, and by the public generally, as necessary for effective participation in the war. But the war ended nearly two years ago, and the instinctive dislike of British people to the exercise of arbitrary power is beginning to assert itself. The legal justification for the continuance of these powers has been found in the fact that we are still, technically, at war with Austria, the proclamation declaring the war at an end not yet having been issued. But this sort of reasoning is not very convincing to the ordinary layman, who feels, reasonably enough, that arbitrary executive powers which are admittedly necessary to meet a national danger can hardly be necessary two years after all danger has disappeared. Consequently, it came as a shock a few months ago when Mr. Hughes, to end a strike of marine engineers, suddenly passed a regulation under the War Precautions Act sequestrating the funds of the union, and forbidding the distribution of union funds for the maintenance of the

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strike. This action ended the strike. But it created an uncomfortable feeling that the Federal Government had greater powers than were good for it, powers that in the impulsive hands of Mr. Hughes might be used for purposes that would not commend themselves to the community. However, we are told that these powers are very shortly to come to an end, and by the time this appears in print, we shall probably have reverted to our ordinary constitutional methods. But the last instance of the exercise of these powers has caused more public agitation than any of the earlier ones. This was the deportation, without trial, of a Catholic priest named Father Jerger. The incident has been almost forgotten by now, but in view of the excitement it aroused at the time, it may be worth while to state the facts.

Jerger was a priest who lived and carried out his pastoral duties in a suburb of Sydney. Technically, but only technically, he was a German subject, his father, who died when he was very young, having been a German. Jerger himself had lived practically his whole life in Australia. During the war he was accused by, among others, a brother priest of expressing disloyal and anti-recruiting sentiments in his sermons. There is no doubt this charge was true. He was interned, and remained in internment until the end of the war. It was then proposed to deport him, along with all the other internees of enemy nationality. For some reason, however, his deportation was repeatedly postponed, and when only a handful of internees remained to be deported, Father Jerger was still among them. It was this long delay which caused the trouble. When the time came for him to go, his co-religionists—or a large number of them—made a strong protest against what they called the arbitrary action of the Government in deporting him without any trial. In deference to the agitation, an enquiry was held by the Solicitor-General, Sir Robert Garran, into the allegations against Jerger. Sir Robert Garran reported that his enquiry disclosed no reason for



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interference. Naturally enough, this did not satisfy Jerger's friends. They took legal proceedings, but these failed, Jerger being by law a German subject. Ultimately he was put on board an outgoing steamer, and started on his voyage. But by this time the political possibilities of the affair had become apparent, and the unions of seamen and waterside workers were enlisted to help to defeat the Government's purpose. The seamen on the steamer on which Jerger was being deported refused to work, and matters reached a deadlock. However, by a not very dignified ruse, he was transferred to a P. & O. ship at Adelaide and taken away from the Commonwealth. His friends followed him to Fremantle and even to Colombo in the hope of securing his release or of holding up the ship. But they failed.

The incident aroused the greatest excitement for a time. The agitation was partly sectarian, partly political. It was seized upon by the opponents of Mr. Hughes—and of these there is no lack in Australia—as a means of arousing party hostility. It was interesting as being one of the few instances in Australia in which the trade unions have attempted to use their industrial power to achieve a political end. In this connection, it is rather significant to observe that this form of political activity has not "caught on" with the trades unionists of Australia. The Jerger incident suggested to the extreme section of the trades unionists of New South Wales that in future, when it was desired to use industrial power to modify the political policy of the Government, it was not fair to leave the burden of doing this to the unions that were immediately concerned. They therefore held a special congress at which they formulated a plan under which, on any similar occasion in future, all unions should be called upon to take their part, not necessarily by a definite stoppage of work, but by engaging in a "go slow" strike or a policy of irritation and "sabotage." The scheme was referred to various unions, but with very indifferent success. By many of the

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most important it has been emphatically rejected and treated with ridicule.

At the back of the Jerger incident there was undoubtedly a strong undercurrent of feeling, shared by very many who had no possible sympathy with Jerger's sentiments and no political axe to grind, that the arbitrary use of executive power, for reasons that were not known to the public, should come to an end. It was this aspect of the matter only that gave it any real significance.

The subject of Father Jerger's deportation leads, naturally enough, to a reference to Archbishop Mannix and his political activities in Australia. Archbishop Mannix, like Father Jerger, has loomed large in the recent political history of Australia, partly because of Mr. Hughes's arbitrary and excitable disposition—partly because of sectarian animosities, and partly for purely party and political reasons. The archbishop came into prominence as an opponent of conscription. He is a public speaker of weight and a skilled and dangerous controversialist. Mr. Hughes's methods at the time of the two Conscription Referenda gave him all the material that a controversialist could ask for. He was not content, however, merely to use this material, or to base his opposition on the merits of the question. He imported into it bitter and most unnecessary criticism of the motives of the Allies, and went out of his way to use the real or imaginary grievances of Ireland against Great Britain as an argument against the participation of Australians in the war. Having thus kindled the flame of racial and sectarian bitterness, he fanned it to a blaze by veiled phrases suggesting that hatred of Great Britain which he has since revealed openly in his speeches in America. His speeches then and since aroused the fiercest indignation, not only among Protestants, but among the loyal members of his own church, and reduced his real following—putting aside those who ranged themselves with him merely out of hatred for Mr. Hughes—to the extreme advocates of Irish independence.



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He has been represented, by himself and others, since his arrival in England, as a leader of the democracy of Australia against the arbitrary and tyrannical methods of the Prime Minister. There is in Australia, it is true, a reaction against these methods. But to represent Dr. Mannix as the leader of it is the height of absurdity. He is not, in any sense, a leader of political thought in Australia. He represents nothing whatever except that very limited section of our population which shares the Sinn Féiner's hatred of England, and desires to enlist Australia in the cause of Irish independence. His alliance with any other body of political opinion is purely fortuitous. There is no doubt whatever that a large section of his own co-religionists repudiate his utterances. There is reason to believe that many more of them refrain from repudiating him only because of their desire to avoid public dissension in the Church.

### III. WESTERN AUSTRALIAN CIVIL SERVICE STRIKE

A STRIKE, which in many respects is unique in the history of such matters, took place in Western Australia in July last when the State School Teachers joined forces with the Civil Service in refusing to continue work unless their demands for increased salaries were complied with. The root of the trouble lay in the rapid increase in prices which has occurred in that State since the date of the Armistice, and in the fact that the growing deficit in the State Treasury had been responsible for the withholding of normal increments from the senior officers of the two services. In the lowest class in the Civil Service the increments are automatic, but in the higher classes any increments allowed are specially granted each year. A long denial of such increments as a reward for meritorious service goes far in accounting for the presence of senior officers as leaders in the strike movement. The "Dis-

## Western Australian Civil Service Strike

putes Committee" managed the strike with the assistance of curious "mass meetings" of all the members of the two services that could assemble at short notice in Perth, decisions being taken by a show of hands.

The employees of the State Government may be grouped approximately under the three heads of the Civil Service, the State School Teachers, and the Railway Service. The last-mentioned service having obtained a measure of relief separately, the other two services combined under a Grand Council to enforce their particular demands. In 1919 the members of Parliament increased their own allowance by  $33\frac{1}{3}$  per cent. from £300 to £400, and the Grand Council seems to have considered this a reasonable basis for a claim on the part of the two services, for two days before the Prince's departure they lodged an ultimatum demanding an increase of  $33\frac{1}{3}$  per cent. on the first £180 of all salaries and also the appointment of a board to deal with the question of salaries. Eleventh hour negotiations drew from the Premier (Mr. Mitchell) the promise of a board on lines which the "Disputes Committee" regarded as entirely satisfactory, but the claim for  $33\frac{1}{3}$  per cent. on the first £180 of all salaries was refused, and the services came out on strike. The majority in favour of the strike appears to have been large, and in the early stages of the trouble seems to have had a considerable amount of confidence in the ultimate success of the claim. It is reported that many of them regarded it as certain that the Government could not hold out for a week. The usual strike procedure was followed, pickets being posted and permits being issued in special cases. The Railways, the State Implement Works, and other State trading concerns carried on as usual, and the police remained at their posts; but the courts were paralysed by the absence of officials, children were sent home by teachers on picket duty, and even persons desirous of paying their taxes were turned away.

In the early stages of the dispute there were threats of extension to outside Labour organisations, but after a



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series of conferences between the "Disputes Committee" and a committee representing Labour organisations, these threats died away. What took place at these conferences is not clearly known, but it is believed that representatives of the services drew back from the prospect of a general upheaval in which the price of Labour assistance would have been the resignation by the "Disputes Committee" of the right to call the strike off at its own time.

It is understood that in the matter of funds the services were ill provided for a lengthy period without pay, and an extraordinary demand made in their negotiations for a termination of the strike, was for payment in respect of the time they had been out. The request was, of course, not conceded, but after further negotiations the Government agreed to the appointment of a board, and also to the temporary advance, by way of loan to such as might require it, of pay in respect of the period of the strike. An offer by the services to forego their annual leave in return for the pay forfeited during the strike was met by the reply that, as surplus officers were employed in order to make annual leave a normal incident in the conduct of the departments, the offer did not provide an equivalent for the time lost, and further, that the acceptance of such an offer would constitute a ruinous precedent for future strikes. Finally, when public and services alike were weary of the object lesson in direct action, and when the constitution and jurisdiction of the board had been promulgated by the Cabinet in a letter to the "Disputes Committee," practically binding the legislature in advance, the question of terms of repayment of the strike pay loan was left open, and the services resumed duty on July 30. It has since been settled that for three months no repayment shall be required; thereafter, as from October 1920, it shall be made in two monthly consecutive deductions from the new salaries to be fixed by the Board.

The occurrence illustrates how persons not associated with the industrial movement may, by reason of the fact

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that they are on fixed salaries, feel compelled to resort to the strike weapon to obtain relief from the increasing pressure of rising prices. This is especially so where, as in the case under review, the persons concerned have no tribunal for investigating and redressing grievances corresponding to that furnished by Arbitration Courts and Wages Boards in the case of industrial workers. The various branches of the Federal Public Service, unlike the State services of Western Australia, have the right granted by special legislation to bring their grievances before the Arbitration Court in the same manner as an industrial union, but the provision has certain disadvantages, and a new measure providing for a special Public Service Arbitration is at present before the Federal Parliament.

### IV. WHEAT AND WOOL POOLS

**D**URING the war the attempt made by all belligerents to mobilise their economic resources and direct them to warlike ends took the form in Australia not merely of government encouragement and direction of private enterprise along the necessary channels, but more especially of government management and control of the distribution of many essential commodities. The two most conspicuous examples of this were the Wheat Pool and the Wool Pool, inaugurated and managed by the Commonwealth Government under the powers taken in the War Precautions Act. Not only was it essential that these important commodities should be made available to Britain and her Allies, and not diverted to other, even if more lucrative, destinations, but there was a real danger that without some form of government assistance these two primary industries might be ruined. Australia depends to some extent in the case of wheat, and to a larger extent in the case of wool, upon ready access to overseas markets. The gradual shrinkage



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of transport and the consequent rise in freights threatened to become so acute as to deprive Australia of markets. This was more especially the case with wheat. Australia produces the greater part of the finer wools for the world's market, whereas Australian wheat is a very much smaller factor, and in a bad season hardly suffices for local consumption. Wheat, too, deteriorates very quickly, and is subject to ravages by mice, weevils, etc. The world's demand, therefore, for Australian wool, especially the finer qualities, is very much stronger than that for Australian wheat, and probably some transport would have been found even in the absence of government action.

*Wheat Pool.*—In 1915 an Australian Wheat Board was formed consisting of a representative of the Commonwealth Government, the Ministers for Agriculture for New South Wales, Victoria, South Australia and Western Australia, and four representatives of the wheat industry. All matters of general policy, such as the handling and marketing of wheat, were determined by them. In addition there was a Wheat Board in each wheat-growing State to supervise the collection and storage of wheat, and a committee sitting in London to co-operate with the Wheat Board by supervising deliveries and making sales. All wheat grown in Australia during the five seasons ending with 1919–20 formed the pool, and was delivered to country buyers as agents for the Wheat Board. On delivery wheat certificates were issued to growers representing an advance on the price of wheat, and the difference between this and the amount realised by the sale of the wheat was to be returned to the grower as dividend. From the pool local requirements were met at a price fixed by the Board, and the remainder was available for export.

Three separate contracts for the sale of this surplus were made with the Imperial Government. The first was for 500,000 tons at 4s. per bushel, the second, 3,000,000 tons at 4s. 9d., and the third for 1,500,000 tons at 5s. 6d.

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The Imperial Government not only provided its own freight but took delivery in Australia and paid for the wheat in instalments before it was even shipped. Also in the case of the second contract they undertook responsibility for losses incurred after the sale. Owing to the ravages of mice, weevils, etc., this contract had involved the Imperial Government in January 1920 in loss to the amount of over £500,000. The British Select Committee on National Expenditure considered this sale "one of the three main sources of loss to the British Wheat Commission," and the Australian Wheat Board points to this as a justification of the business acumen of those who negotiated the sale. During the five seasons covered by the pool the amount of wheat handled was upward of 500,000,000 bushels, of which slightly more than one third was absorbed by local sales.

The Commonwealth Government also attempted to maintain the production of wheat by guaranteeing a price to the grower. For the 1917-18 crop, the guaranteed price was 4s. per bushel, for 1919-20, 4s. 4d., and for 1920-21, 5s.

*Wool Pool.*—In 1916 a Central Wool Committee for Australia, with committees for each State, was formed, consisting of representatives of the wool interest, growers, and selling brokers. The Chairman of the Central Wool Committee was the nominee of the Commonwealth Government, and also represented the Imperial Government. With the exception of part of the 1916-17 clip, all wool grown in Australia during the four seasons ending on June 30, 1920, formed the pool. The Director of Raw Materials, on behalf of the Imperial Government, purchased the whole of the clip for each season, except what was set aside for local requirements, at a flat rate of 15½d. per lb., which was about 50 per cent. advance on the average price of the three years preceding the war. The Imperial Government also undertook to pay 50 per cent. of the profits made on the resale of wool for civilian



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purposes to the Central Wool Committee as agents for the growers. Every season the clip was appraised by a professional staff employed by the Central Wool Committee, on a commission basis for the first clip, but on fixed salaries for the rest. The wool of different qualities was thus valued with reference to the flat rate of  $15\frac{1}{2}$ d., and as the average of appraisement was usually slightly lower than the flat rate, the difference was returned to the grower in the form of a dividend. The grower received the appraised value of his wool, less 10 per cent. retained by the Central Wool Committee, until the appraisement was complete, when it also was returned in the form of a dividend to the grower. As appraisements were made advices were sent to London, and the Imperial Government put the necessary money to the credit of the Central Wool Committee at the Commonwealth Bank, London.

Local woollen manufacturers were allowed the advantage of purchasing from the pool at the appraised, and not the flat rate price. Their demands absorbed in the four seasons of the pool between 2 and  $2\frac{1}{2}$  per cent. of the clips. In addition, manufacturers of wool-tops for export, a comparatively new industry in Australia, were allowed to fill their requirements at the flat rate of  $15\frac{1}{2}$ d. They operated under arrangements with the Central Wool Committee acting for the Commonwealth Government whereby the latter received a percentage of the profits of the manufacture. In the four seasons the amount of wool absorbed in this way amounted to about one per cent. of the total clips. The amount of wool dealt with by the pool during the four seasons was approximately 2,280,000,000 lb. or 7,000,000 bales.

In these large and complex commercial schemes the authority and power of the Commonwealth Government provided the necessary compulsion to ensure that the whole of the product of these two industries should be combined together under centralised management. Also the credit of the Government and the co-operation of

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the British Government as purchasers of the greater part of the wheat and wool enabled the schemes to be successfully financed. While the policy was directed by the Commonwealth Government as a war measure, the actual administration was handed over, in the main, to business men connected with all branches of the industries concerned, though both the Commonwealth and State Governments had representatives on the various committees. In undertakings on such a large scale it was inevitable that there should have been complaints both of undue political control and of inefficiency in administration. This was especially the case in connection with the Wheat Pool, and investigations in two of the States, New South Wales and South Australia, have shown that there has been at least good ground for complaint as to some of the transactions of the State Wheat Boards. On the other hand, in other States, notably Victoria, the administration has been admittedly good.

How far the two pools succeeded in their first object of helping the war effort of the Allies cannot yet be determined except very generally. The largest of the three Imperial purchases of wheat seems to have been a bad bargain for the Imperial Government, which shouldered responsibilities which might reasonably have been expected to fall upon Australian growers. In the case of wool the Imperial Government certainly secured practically the whole of the Australian wool clips from 1916-17 to 1919-20 for war purposes. The terms, however, as to price, payment and surplus profits were very advantageous to the wool growers.

As to the second object of saving the industries from ruin it is possible to particularise. Even more common than the complaints of the inefficiency of the Wheat Boards was the demand of the grower for the parity of the United Kingdom price of his wheat. From 1917 to the end of 1919 freights for private charter were practically unobtainable, and were quoted at from 6s. to 7s. per



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bushel. The average London price during that period was about 9s. 6d. per bushel, so that the parity was about 3s. per bushel. The price under Imperial contract and for local consumption was first 4s. 9d. and then 5s. 6d. per bushel, so that in either case the grower got more than the parity. This was only made possible by the fact that the British Government, which bought the wheat, provided its own transport. Had the pool not been formed and arrangements made with the British Government, the wheat industry of Australia must first have been disorganised and then brought near to ruin by the price falling and remaining below a remunerative level.

The wool industry might not have suffered to the same extent because of the demand for the finer wools. But the establishment of the pool and the arrangements with the Imperial Government were of inestimable benefit to the growers. They secured a constant market for their wool at a price 50 per cent. above the average of the three years preceding the war, with the further advantage of a half-share in any profits which might be received from the resale of their wool by the Imperial Government for civilian purposes. For the wool, too, the Imperial Government paid cash in Australia within a few days of appraisements before more than a very small quantity of the clip could be shipped.

Two incidental effects of the controls may be noticed. A considerable improvement and standardisation of methods, *e.g.*, of packing and classing wool, is claimed by the Central Wool Committee to have taken place as a result of their instructions and recommendations, while the magnitude of the operations of the Wheat Pool has given encouragement to long-discussed plans for handling wheat in bulk.

The Wheat Pool ended with the 1919-20 crop and the Wool Pool with the 1919-20 clip. The question vigorously canvassed this year in each case has been whether the pools should be continued with or without government aid.

## Wheat and Wool Pools

Early this year, as the result of a conference of wheat-growers, a deputation waited on Mr. Hughes and put before him a scheme for the continuance of the Wheat Pool in a compulsory form, but managed by the growers. Mr. Hughes refused to sanction compulsion, but offered to aid the scheme if, by a referendum, growers showed that 90 per cent. were in favour. Nothing came of this for some time until in August it was announced that the State Governments had decided to act. For the crop of 1920-21 there will be a compulsory pool under the authority of the States, managed by a central board which will control the export and sale of surplus wheat and the price for local consumption.

The Wool Pool ended on June 30, 1920, but before this date the difficulty of a return to normal pre-war arrangements for marketing the clip of 1920-21 was foreseen. The growers wished for a return to an open market, especially as they might then be able to take full advantage of the very high prices for wool in Europe. But the difficulty lay in the fact that the British Government still held large unsold stocks of Australian wools, especially of the coarser kinds, both in Australia and in England. This amounted at the end of 1919 to 2,250,000 bales, and, in addition, the British Government held 1,794,000 bales of other wools. If these stocks were to be marketed in 1920 and 1921 it would need careful consideration and handling if they were not to prove an impediment to the sale of the new clip of 1920-21. Two schemes were proposed in Australia in 1919 and 1920 to meet this difficulty when the Wool Pool came to an end.

The first scheme came from the wool-growers and selling-brokers, who agreed to appoint representatives to an Australian Wool Council which should only deal with the forthcoming clip of 1920-21. The Council was to arrange that all wool should be sold at public auction in Australia. There was to be no compulsion, but offerings at auction were to be regulated so that the wool industry (and in-



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cidentally the price of wool) would be "stabilised." This control was to end on June 30, 1921, but for the time the authority of the Commonwealth Government was to be invoked to restrict export if necessary. Before approaching the Government the Australian Wool Council decided to submit the scheme to the growers. The vote was taken in May 1920. Since less than half of those who received ballot papers voted, although of these almost 75 per cent.—the proportion desired by the Council—approved the scheme, it was then definitely abandoned.

The second scheme was that placed by Mr. Hughes before the wool-growers in May. It consisted of two proposals which had no necessary relation to each other. He proposed that auction sales of Australian wool in London should be suspended from September 30, 1920, until May 1, 1921, and during that period their place should be taken by auction sales of the 1920-21 clip in Australia. After May 1, 1921, normal market conditions were to prevail. There was to be no compulsory pool, and no price-fixing, but in order to ensure the success of the scheme the export of wool from Australia was still to be prohibited without the consent of the Minister of Customs. This proposal was discussed by the wool-brokers and wool-growers and accepted. Later, however, it was announced that the British Government intended to hold auction sales of Australian wool in London up to the end of 1920. After further negotiations between Mr. Hughes and the representatives of the wool industry, it was decided that public auction sales of the 1920-21 clip would begin in Australia about October 1, 1920. But there is to be no prohibition of export, and growers will be free to export or sell in Australia as they wish.

In June of this year the whole matter was complicated by the resignation from the Commonwealth Ministry of Mr. Watt, who was in London negotiating with the British Government about the wool-clip. Information as to those negotiations is still scanty, and it is not yet known in what

## Wheat and Wool Pools

form proposals for dealing with the new clip were put before the British Government. At the time of writing (September, 1920) final arrangements are not yet complete, but the chief difficulty to be overcome is still that of preventing the large "carry-over" from previous clips clashing with the new clip.

The other proposal of Mr. Hughes's scheme referred to the profits made by the British Government on the re-sale of wool for civilian purposes. Half these profits are due to the growers, and varying estimates have been made of their amount, ranging from £40,000,000 downwards. But until all the wool of the four seasons is sold and accounts adjusted no one can say whether this figure is anywhere near the mark! Large profits have been made on the re-sale of the finer wools, but against this must be set off the possibility that some of the coarser wools may not realise even the flat rate of 15½d. The growers' share of these profits is to be paid in instalments, the first of which is a sum of about £6,500,000 due on sales up to March, 1919.

Since the Commonwealth Government owed to the British Government at the beginning of 1920 a sum upwards of £40,000,000 for war services, such as the maintenance and equipment of the A.I.F., and had promised speedy repayment of about £9,000,000, it seemed to Mr. Hughes a good opportunity to set off against this the profits on wool. He, therefore, proposed to arrange for the British Government, instead of paying about £10,000,000 on account of accrued profits, to reduce the Commonwealth Government's indebtedness by that amount. The wool-growers, to whom the money belonged, were to receive instead of cash Commonwealth interest-bearing bonds with a currency of five years. The balance of the wool profits, as they became payable, was to be treated in a similar way. As a mere matter of book-keeping and a possible saving in expense, there was something to be said in favour of the proposal; but, in effect, the Commonwealth Government, by substituting bonds for cash, was raising a compulsory



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loan from the wool-growers to meet its war expenditure. This objection was raised by the growers, and this part of the scheme, left over for further consideration when they accepted the first part, was afterwards rejected.

Even though those whose products formed the pools may be prepared to admit that on the whole these enterprises were successful, and even essential, during wartime, their experience of Government control and price-fixing has not convinced them of its use in normal times. In the case of wheat the extension of the pool is to be merely temporary for one year, and the reason alleged is that the Federal Government had guaranteed a price of 5s. per bushel for the next crop. None the less the value of co-operative action in strengthening the economic position of the growers by enabling them to regulate the supply of their products to the market has not escaped their notice. The experiment was made under Government control and with the financial support of its credit, but the experience in administering large enterprises and the machinery created would have been exceedingly valuable if the growers had decided to continue their united action. In view of the facts, however, that the Wheat Pool is to be temporary, and that less than 50 per cent. of the wool-growers took the trouble to vote on the scheme of the Australian Wool Council, it does not seem likely that concerted action of a nature similar to the pools will be undertaken.

Australia. September, 1920.

## SOUTH AFRICA

### I. POLITICAL

THE session which closed last month was in some ways the most remarkable since the Union. The result of the elections for the House of Assembly in March was that 44 Nationalists, 44 South African Party (including three Independents who usually vote with them), 25 Unionists and 21 Labour members were returned. For the first time the Nationalists were the most numerous party in the House, and their supporters throughout the country were naturally elated by their success. On the other hand, the South African Party, from which the additional Nationalist seats had been won, and the Unionists, who had lost heavily to Labour in the urban areas of the Transvaal, were correspondingly depressed. In these circumstances, General Smuts had to decide whether he should meet Parliament, relying on the Unionists to support his Government in the new Parliament as they had done before, or whether he should resign. It was quite clear what the consequences of his resignation would be. No other party leader could attempt to form a government with any prospect of success, and an immediate dissolution would have followed with a fresh appeal to the country. It is useless to speculate on what the result of such an appeal would have been. General Smuts decided to meet Parliament and to carry on his government with such support from other parties as he could get. The event showed that only one of the four parties—the Nationalists—really set itself to turn out



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the Government. The Unionists almost consistently supported it, and the Labour Party, though they had promised the electors that no consideration for the Government would turn them from pressing their policy on the House, twice walked out rather than vote in divisions where it seemed likely that a combination of their votes with those of the Nationalists, would bring about a Government defeat. With this support, given only because no party except the Nationalists desired another election, the Government not only survived a session of more than ordinary length, but carried through a formidable programme of legislation, including some measures of a highly contentious character.

The most important acts passed were those connected with the financial situation of the Union and the increasing cost of living. Those in which an effort was made to control the increase in the cost of living aimed at prohibiting undue profits on the sale of goods, at restricting dealings in foodstuffs so as to prevent speculation, at appointing Rent Boards in towns to control increases in rents of dwelling-houses, and authorising loans from public funds for assisting the provision of additional housing accommodation either through municipal or private enterprise. These, for the most part, followed the lines of similar legislation in the United Kingdom and elsewhere. The financial situation was dealt with in an act for regulating the currency and establishing a Central Reserve Bank. The details of the Act will be dealt with in a later section of this article. It need only be said here that the principles on which the Act was based were new and far-reaching. They gave rise to a cleavage of opinion among those who professed to understand the subject which cut across the lines of party division, and roused that intensity of debate which is generally associated with theological disputes.

Important as the work done in Parliament was, political interest, especially towards the end of the session, was

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centred in the efforts that were being made outside Parliament to bring about a reunion of the two parties which mainly represent the Dutch section of the people. These efforts were the culminating point of a movement which has been going on for some considerable time, and which has steadily grown in strength. Even the Churches have lent their powerful influence to it, and have characterised the existing political division among their people as something little short of sin. Behind it all, no doubt, is the strong racial sentiment which regards with instinctive aversion a political division which destroys the old racial solidarity and threatens to leave the Dutch people powerless to act on racial lines in defence of racial interests. Because of that it makes a strong appeal to a race consciousness which is particularly deep and tenacious. At the same time General Smuts and other leaders of the South African Party, while welcoming, as they were bound to do, any movement towards reunion on reasonable lines, have steadily set their faces against a mere racial union. They have laid it down as a principle of any reunion to which they could be a party, that it must not exclude South Africans of British race or be based on a policy to which British South Africans could not possibly agree.

The movement for reunion, as has been said, has been on foot for some considerable time, and from time to time at various places throughout the Union, meetings have taken place at which the local members of the South African and Nationalist parties have tried to agree upon a common statement of policy which might serve as the basis of a general reunion. The great stumbling block, of course, has been the question of the relations of South Africa to the British Empire. The avowed policy of the Nationalist leaders at present is to procure the peaceful secession of the Union from the Empire. They claim that the right of secession is an inherent right of every Dominion, and is acknowledged both by Imperial and Dominion statesmen, and they hold that the exercise of that right



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is the supreme need for South Africa. It may be doubted, indeed, whether, if the party were in power, the more responsible element, especially in the Cape Province, would be willing to force the right of secession into practice. But at present, while the party is in opposition, no voice but that of the extremist is heard, and practical difficulties are ignored or swept aside. The South African Party, on the other hand, while not renouncing the idea that the ultimate development of the Dominions may lead to independence, regards the issue as one which can only be decided on by the great majority of both races, and refuses to allow the co-operation of the British and Dutch, which was the ideal of the late General Botha, to be destroyed by raising the question of independence on a racial basis. The reunion meetings to which reference has been made had therefore to find some formula on the independence question which would be acceptable to both these points of view, and so far that has been the rock on which they have split.

The best known of these local meetings of the two parties was that which was held at Robertson in the Cape Province.

Thirteen points were there agreed upon, of which two—Nos. 3 and 4—dealt with the relation of South Africa to the Empire. They are as follows :

(3) " In order to attain the necessary and desired reunion a beginning shall be made by co-operation under the motto ' South Africa First,' which shall have as its principal object the development of the country and the people by constitutional means on sound and clearly defined South African national principles : (a) the ideal of sovereign independence (*i.e.*, the right of secession from the United Kingdom), which was and is well known with a section of the people, is admitted ; but this ideal shall only be considered ripe for realisation when this rests on the broad basis of the popular will. It is clearly understood that no propaganda for or against the movement for independence

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shall be made until such time as the National Congress, which is to be held at Bloemfontein on September 22, 1920, shall have decided thereon. (b) While the existing connection with the United Kingdom is one of equality in theory, it is necessary that such equality shall be applied practically. It is furthermore against the interests of South Africa that any attempt shall be made or any policy adopted which shall in any way extend South Africa's obligations towards the United Kingdom, and that such an attempt or policy shall be opposed.

(4) "Disapproval of the establishment of a Federal or Imperial Parliament, Cabinet or Legislative Body representing the United Kingdom of Great Britain and Ireland and the Dominions or Territories."

It will be observed that the resolution, No. 3, quoted above, refers to a National Congress to be held at Bloemfontein on September 22, 1920. This was in reality a congress of delegates of the South African and Nationalist Parties from all over the Union, which was to come together as the culmination of the local movements towards reunion and endeavour to bring them to a successful issue. The approach of this congress produced a marked change in the attitude of the parties to each other during the latter part of the session of Parliament, and, when Parliament rose early in August, the general opinion in political circles was that a complete reunion was likely to be brought about. A speech of the leader of the extreme Nationalist section in the Transvaal repudiating any idea of compromise on the question of independence or any abandonment of the propaganda, was openly censured by the chief Nationalist organ in the Cape, and a split in the party was openly discussed. As time went on, however, the official utterances of the party veered round to the line of no compromise, and a speech delivered at Worcester on August 21 by Dr. Malan, the leader of the party in the Cape, and one by General Hertzog at Pretoria on the eve of the Congress, made it clear that if any reunion were to



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take place as the result of the Congress, it would be by the surrender of the South African Party on the all-important issue.

As early as June last the Head Committee of the South African Party had defined the position which the party was to adopt in regard to the coming congress. In an open letter to the party, signed by General Smuts as Chairman of the Head Committee, the following principles were laid down as a basis for any reunion which they could accept :

(1) The people of South Africa does not desire to limit its future political development as a free people, and leaves the door open for the evolution of that freedom under Divine Providence. It recognises, at the same time, that any far-reaching change in our form of government can only rest, just as the establishment of our present Constitution of the National Convention, on the broad basis of the united will of the people—namely, on the co-operation of all sections of the white population, and not merely on a Parliamentary majority.

(2) With a view to giving effect to the strong desire of the people for peace and unity, and having regard to the sharp division of opinion on constitutional questions, it is accepted that it is not in the best interests of South Africa to agitate for any change in our form of government as laid down in the Constitution ; and that our constitutional development shall be left to the natural course of circumstances.

(3) No obligations or responsibilities towards other parts the British Empire, or other countries shall be undertaken which are contrary to the interests of South Africa or which detract from the existing status of South Africa.

(4) In application of the above fundamental principles, no distinction of race as regards the European population is recognised, but all who wish to co-operate on this basis are welcome in the reunion movement.

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The Congress duly met at Bloemfontein on September 22, and the Robertson resolutions above mentioned were put forward as a basis for reunion. Mr. Malan, Minister for Mines and Education, put forward, on behalf of the South African Party, an amendment on the lines laid down in the Head Committee's letter, and a joint committee of the two parties sat to agree, if possible, on a resolution which could be brought up to the Congress embodying a basis of agreement. After prolonged sittings, however, no agreement could be reached, and the Congress dissolved without achieving its object.

Although as regards its ostensible object the Congress has failed, it is only reasonable to suppose that it cannot but have far-reaching effects on the existing political situation. One of them which is generally expected is that a certain section of the South African Party which has had leanings towards the Nationalist camp may take the opportunity afforded by the rejection of the Robertson basis of reunion to break with their old allegiance. This expectation is, no doubt, fostered by the results of the elections for the Provincial Councils of the Transvaal and Cape Province, which took place in August and September respectively, and which resulted in substantial gains for the Nationalists at the expense of the South African Party, more particularly in the Cape, where the South African Party now numbers seven out of a total of fifty-one. The other effect which may possibly come out of the Congress is a more complete co-operation between the parties which stand for the maintenance of the Constitution in its present form. The attitude of the South African Party at the Congress has shown that the ideal of the late General Botha of a policy supported by South Africans of both races, has appealed to an important section of the Dutch people as the one safeguard against racial division and civil strife in South Africa. The fact that they have stood firmly by this ideal against the allurements of a racial reunion is a testimony to their sincerity which



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is likely to evoke a response from British South Africans who so far have stood outside the South African Party.

General Smuts has lost no time in raising the issue. In a letter to the district committees of the South African Party summoning a General Congress of the party to meet on October 27, he claims that, as the effort at reunion has failed, and as the Nationalist Party "has firmly resolved to continue its propaganda for fanning the fires of secession and of driving the European races apart from each other, the moderate elements of our population have no alternative but to draw close to one another." He therefore appeals to "all right-minded South Africans, irrespective of party or race, to join a new party which will be strong enough to safeguard the permanent interests of the Union against the disruptive and destructive policy of the National Party."

This proposal, if it is adopted by the South African Party Congress, as presumably it will be, practically brings about the situation contemplated by Sir Thomas Smartt at the Congress of the Unionist Party in October of last year, when he stated that the party would be prepared to co-operate with General Smuts in a party formed for the maintenance of the Constitution and the peaceful development of South Africa. So far Unionist opinion has welcomed the proposal, and there seems to be little doubt that if it is adopted by the South African Party it will open the way to a great measure of racial consolidation in South African politics.

## II. THE CURRENCY AND BANKING ACT

**T**HIS Act has two main divisions. The first deals with the currency. The second provides for the establishment of a Central Reserve Bank for regulating the banking business of the country.

The first part of the Act was required to meet the difficulties experienced by the banks, and through them by

## The Currency and Banking Act

the business community, owing to the fact that South Africa was by law bound to a currency based on gold, which in practice it was unable to maintain. By the law, as it stood before the new act, legal tender in the Union consisted of British gold coin and also British silver and copper coin up to the same amounts as in the United Kingdom. Certain banknotes issued in the Cape Province against Government securities deposited by the issuing banks up to the full amount of the notes were also legal tender elsewhere than at the bank of issue. Besides these notes the banks issued notes in the other Provinces which were not legal tender, but which circulated freely, more especially after the war, when the difficulty of getting gold coin forced the banks to economise in its use and substitute paper as far as possible—though, as has been stated, they could not refuse gold on demand even for their legal tender notes. The effect of this replacement of gold by paper, accentuated by a great expansion of the business of the Union and the enhancement of prices all round, was naturally reflected in an expansion of the paper currency, and accordingly the note issues of the banks, which at the end of 1913 amounted only to £2,100,000, had risen at the end of March, 1920, to £9,000,000. At the same date the total holding of gold coin by the banks was just under £7,000,000. This was the only gold reserve in the country for the note issues of the banks and for their ordinary deposit liabilities amounting to upwards of £90,000,000. The export of gold coin has been prohibited since the war, but that has not prevented a constant drain taking place. The price of gold in the Eastern markets has offered an inducement against which the most drastic prohibitory legislation has little chance of prevailing. Leakage of gold is all the more easy in South Africa because the natives working on the mines of the Witwatersrand have hitherto been paid in gold, and of this gold a considerable proportion is regarded as lost to the Union, especially of that which is paid out to natives from the Portuguese Province of



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Mozambique. It is estimated by the Treasury that during the two years ended March 31, 1920, gold coin to the value of £2,945,000 disappeared from circulation, and, although this figure can only be regarded as an approximation, there is no doubt that the gold coin held by the banks was subject to a steady drain on a considerable scale. The banks were therefore under the necessity of importing to maintain their gold reserves. During the war it was only with the greatest difficulty that leave could be obtained from the Imperial Government to import even the comparatively small quantity of sovereigns required to make good the depletion of the gold currency. There is no mint as yet in South Africa (a mint is now in course of construction), and we were in the curious position that, while the gold mines of the Rand were producing and sending away bullion to the value of nearly £40,000,000 per annum, the banks had the greatest difficulty in importing half a million sovereigns from time to time to maintain the currency of the country. When the war restrictions on the bullion market were removed, gold at once went to a premium in sterling money, and the banks found themselves in the position that, while they were bound by law in South Africa to pay out a gold sovereign on demand as the equivalent of £1 sterling, they could only import the sovereigns at a premium which at one time was over 40 per cent. In other words, they had to pay up to 28s. in England for the sovereigns which they were obliged to hand out for 20s. here. Owing to the war restrictions on movement of gold coin, the holdings of the banks in gold coin had fallen below the point at which prudent banking would require that they should be kept, and the banks in consequence were driven to restrict business. The effect was first felt by the exporters of wool and other produce, and for a time, at certain ports, they had a difficulty in negotiating drafts on London. The stimulus which had been given to South African exports during the war, the greatly enhanced prices ruling for wool and other produce,

## The Currency and Banking Act

the expenditure of large sums by the Imperial Government for warlike operations in East Africa, had all resulted in the South African banks accumulating large balances in London. To import gold was only possible at ruinous cost, and was only done when the holding of gold coin absolutely required replenishment. The banks therefore decided to offer exchange on London at rates which would attract buyers, and in consequence the selling rate for telegraphic transfers, which at the end of the year was at par, moved in February, 1920, to  $1\frac{1}{4}$  per cent. discount, and on May 1 stood at  $7\frac{1}{2}$  per cent. The buying rate during the same period moved from  $\frac{1}{16}$ ths to 8 per cent. discount. The effect of these rates—unprecedented for South Africa—was to unsettle business seriously, and to drive liquid capital out of the country. Bank deposits ran down, and the gold-mining companies found that the premium on gold, on which the low grade mines were depending to meet their enhanced costs of production, was largely neutralised by the discount at which they had to negotiate their drafts against the sales of gold in London.

The Government then decided to alter the legal basis of the currency by substituting gold certificates for gold coin as the legal tender, and, after a Select Committee of the House of Assembly had exhaustively enquired into the matter, a bill was introduced by the Minister of Finance and became law as the Currency and Banking Act. The first part of the Act authorises the Treasury to receive gold coin or bullion and to issue certificates therefor—in the case of coin at the face value of the coin, and in the case of bullion at £3 17s. 10½d. per standard ounce. These certificates are legal tender to any amount, and are equivalent to gold for all purposes for which gold is required to be kept. They are redeemable by the Treasury in gold on demand, but when the market price of gold in the Union exceeds £3 17s. 10½d. per standard ounce the Government may suspend such redemption. While such suspension is in force the Treasury is empowered to compel



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banks in the Union to deposit the whole or any portion of their gold coin and to receive gold certificates in exchange. The provisions in regard to suspension cease to have effect after June 30, 1923.

The Bill gave rise to keen and protracted debate, both in the Select Committee and afterwards in the House, a debate which divided members without regard to party and which, both as regards its matter and manner, showed the House at its best. The chief opposition to the Bill came from those who regarded the issue of gold certificates as a definite abandonment of the gold standard, and as thereby opening the door to further inflation of the currency and consequent enhancement of the cost of living. They maintained that the only sound course was to remove the embargo on the export of specie and thus make South Africa in fact as well as in name a gold standard country. The advocates of this view, however, failed to convince the House that in the present state of the world's markets South Africa would be able to maintain an effective gold standard, or that the cost of living would be materially affected by its efforts to do so. On the contrary, it was generally believed that the attempt to maintain a gold standard in South Africa would involve such a dislocation of the exchange rates with the United Kingdom, with which the great bulk of South African trade is done, and on which South Africa depends almost entirely for its capital, that something like a commercial catastrophe would be the result. The only concession obtained by the opponents of the Bill was the limitation of the power given to the Government to make the certificates inconvertible to a period of three years. After June 30, 1923, the country will, in the absence of further legislation, automatically revert to a gold basis. By that time South Africa will have its own mint, and, if the objects aimed at in the other part of the Act have been attained, the holding of gold coin in South Africa will have reached a point much above that at which it stands at present.

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The second part of the Act provides for the establishment of a Central Reserve Bank with a capital of £1,000,000, of which one-half is to be subscribed by the South African banks in proportion to their present capital and reserve funds. The other half is to be offered to the public, and any part of it not subscribed by the public will be taken up by the Treasury. The bank will be administered by a board of eleven, of whom three will be elected by the subscribing banks, three by the other stockholders, and five (including a Governor and Deputy Governor) will be appointed by the Government. The profits of the bank after a dividend of 6 per cent. has been paid to stockholders, are to go to a reserve fund, and after that fund amounts to 25 per cent. of the paid-up capital and until it is equal to the whole paid-up capital, one-half is to go to the reserve fund and the remaining half equally to the stockholders and the Government. After that any profits after a 10 per cent. dividend to stockholders, are to go to the Government, but so long as the gold certificates issued under the first part of the Act are inconvertible, any profits after a 6 per cent. dividend to stockholders are to be used in buying gold. The Bank may establish branches in the Union, and with the consent of the Government, outside the Union, and may, subject to certain restrictions, carry on the usual business of bankers. The most important of these restrictions are that it may not advance money on mortgage or own fixed property except for its own business premises, that it may not make unsecured advances, draw or accept bills payable otherwise than on demand, accept deposits for a fixed term or allow interest on credit balances on current account. The Bank is to be the sole bank of issue for a period of 25 years, but until it is in a position to issue its notes, the existing banks may continue to issue their notes, provided that they hold gold specie equal to at least 40 per cent. of their notes in circulation. This last proviso is not to apply to the existing issue of legal tender notes already referred to in this article. The



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notes of the Central Bank are not to be legal tender, but are to be receivable in payment of any money due to any Government department as taxes or otherwise. Its issue is to be secured by gold or gold specie to at least 40 per cent., and as to the remainder by commercial paper or trade bills, and also by a first charge on all the assets of the Bank. These reserve requirements may be temporarily suspended with the consent of the Treasury and subject to the payment of a graduated tax on the note issue rising as the gold reserve falls below 40 per cent., and subject also to a corresponding increase in the interest and discount rates of the Bank. In addition to the note reserves already described, the Bank must hold in gold or specie at least 40 per cent. of its deposits and bills payable, but in the case of this reserve the specie may include silver up to 20 per cent. of the total. The other banks are required to keep reserve balances with the Central Bank equal to 13 per cent. of their demand liabilities in the Union (other than notes which are specially provided for as described above) and 3 per cent. of their time liabilities to the public, but this provision does not come into full force for three years, and during that time a reserve balance of not less than 10 per cent. of demand liabilities is required. By demand liabilities is meant all liabilities payable within 30 days, or subject to less than thirty days' notice.

These are the main features of the new institution established by the Act. The existing banks naturally object to having to provide half the capital for establishing another bank which in certain very important departments will be a competitor. The Labour Party object to the new Bank on the ground that it ought to be wholly a State institution. Apart from these special objections there is a general consensus of opinion that some organ of control is necessary to prevent undue inflation such as the rising markets of the past few years are apt to cause. When the banking business of the country is in the hands of two or three institutions competing strenuously with each other

## The Dominion Status

for business it is very difficult for them in times of speculation and rising prices to exercise that steadying influence which is necessary to prevent a dangerous inflation. It is a common complaint here that the banks by granting credits for purely speculative business have contributed largely to the inflated prices which now prevail. There is no doubt an element of truth in the complaint, and to that extent a central bank such as this will provide a measure of control. Whether it will prove sufficiently adaptable to meet the needs of the business of the country under widely different conditions from those which exist now is yet to be seen. It is an experiment based admittedly on the Federal Reserve Bank of the United States, and it is not at all certain that it will fit easily into South African conditions. It is not improbable that if it should not prove to be a success in its present form it may give place to a State bank intended not merely to serve the purposes of a central reserve bank, but also to prevent the banking business of the country being entirely in the hands of one or two powerful corporations—a state of things which, in view of recent bank amalgamations here and elsewhere, seems to many people to be imminent.

### III. THE DOMINION STATUS

**I**T is understood that the principal matter for discussion at next year's Imperial Conference will be the definition of the new relation in which the Dominions stand to the United Kingdom and the rest of the Empire as the result of the war and its settlement.\* During the war Dominion Ministers sat as members of the Imperial War Cabinet.

\* Since this article was written it has been announced that the meeting of the Dominion Prime Ministers this next summer is not to be the special Constitutional Conference foreshadowed in the resolution passed by the Imperial War Conference in May 1917.



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After the war they sat as members of the Peace Conference. The Dominions were actually parties to the Treaty of Versailles and the Covenant of the League of Nations, as if they were independent nations. It is clear that whatever the new relationship is between the various members of the Empire, it is one which has far outgrown that which before the war was recognised in international law and constitutional theory as the constitution of the Empire. Further, the new relationship is one for which so far no constitutional theory has been found adequate. We are told emphatically, both by British and Dominion statesmen, that the old order has ceased. But no one has yet ventured to define a new order except by negation of what went before.

In the stress of war precise definition and adjustment were unnecessary. *Inter arma silent leges*. In the ferment of the Peace Conference the claim of the Dominions to be there as parties, backed by the influence of the Empire, prevailed, and constitutional theory again was left outside. But it is obvious that as soon as ordinary peaceful intercourse is resumed between the nations of the world, some answer must be found to the questions which so far have been thrust aside by the practical exigencies of the time.

General Smuts has on many occasions since his return to South Africa laid stress on the new *status* to which South Africa has attained as a Dominion of the Empire. He laid special stress on it during the recent election campaign as against the secession propaganda of the Nationalists. No one certainly can speak with more intimate knowledge of the part which the Dominions took in the War Cabinet or in the Peace Conference. His words therefore carry an authority which is more than personal. In a speech in the House of Assembly during the recent session General Smuts made a considered statement on the subject. The old system of the Empire, he said, had disappeared under which there was one dominant member who could conduct affairs for the rest and speak for the

## The Dominion Status

rest, and the problem arose how they were going to conduct the affairs of the Empire on a common basis when they had no longer one Great Power speaking for the whole, but six independent, equal, free members. The change, he said, was recent. It found its formal expression in the participation of the Dominions in the deliberations at Paris, and in their signing the Peace Treaty. That was the formal recognition of the new position of the Dominions—that in foreign relations they were to take a part and speak for themselves, and that they would no longer be bound by the voice and signature of the British Government. He looked to the Conference of next year to give some expression to the new position, and he proceeded to lay down certain principles which, he said, were generally agreed upon by all the parties concerned. There was, he said, practically a unanimous opinion that the British Empire could only continue to exist on a basis of complete freedom and equality. There was also a general agreement that the Empire could only act together by the complete unanimity of its members. A majority of the free and equal partners of the Empire could not be given the power to pass resolutions on behalf of the Empire which would bind the minority. They must look on that as a bedrock condition. He could never agree to the voice of South Africa being smothered or the opinion of South Africa being coerced by the rest of the Empire, and he was sure the other Dominions would take up the same position. The only organ of common action therefore was the Conference at which they could interchange ideas, and either agree unanimously on common action or agree to differ. If they wanted to reach the goal, and if they wanted to remain in harmony with the British Empire and keep all the parts working in harmony together for so long as Providence should will it, so they must follow this system. It was a system of free deliberation and consent. The final decision, so far as this Union was concerned, rested and would always rest with one country and with one



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body only. That was South Africa, the South African Parliament and Government.

Up to a point the position as thus stated is clear. The partners of Empire are not only to stand on a basis of complete equality, but there is to be no common action except by the unanimous consent of all. What is not so clear is how this will work in practice, and what meaning, if any, is to be attached to membership of the Empire as far as the Dominions are concerned. Is any member to be free to be neutral in a war in which the rest of the Empire is engaged, or even to form alliances with other nations with which the Empire may be at war? If so—if one of the Dominions is not to be bound by the decision of the others on a question of peace or war—it is hard to see how it could continue to be regarded as a member of the Empire either by the other members or by foreign nations. A decision on the part of a Dominion to stand out of a resolution which committed the rest of the Empire to war, would be an act of secession. It follows, therefore, that if the Dominions are not to be bound as regards any common action except with their own consent, their position would seem to carry with it the right to secede from the partnership at will. But if the right of secession is conceded as being inherent in the new Dominion *status*, then the *status* of the Dominions is to all intents and purposes one of complete independence. Their participation in the Empire would be nothing more than a very loose alliance with no implication of mutual obligations. There would be no one who could speak for such a body whose authority would be accepted by other powers. A common foreign policy would be a matter of extreme difficulty and common action on any emergency an impossibility.

These considerations bring us back to the point that the Conference of next year will have to consider a question of no ordinary difficulty. It is clear that no short cut towards closer organisation of the Empire will be welcomed

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by the Dominions, and efforts in that direction may retard rather than strengthen the spirit of unity within the Commonwealth. They are too conscious at present of their own achievements and of their newly realised position in the world of nations. Each one at present is conscious of having taken a great share in bearing the burden of a world war which struck at the centre of the Empire, of having done much and made great sacrifices to help the centre. But the next war or threat of war may be one in which a Dominion is menaced because of some question of foreign policy arising from its own peculiar needs or conditions, and then the balance of obligation will lean the other way. It is only experience in dealing with its foreign relations in its present condition of semi-independence that will bring home to any Dominion—certainly to South Africa—the helplessness of a combination of nations which has no common voice and no instrument of common action. Till that experience has been gained constitutional anomalies and contradictions must be put up with. Haste in such matters is the greatest enemy to speed or to permanence.

South Africa. October, 1920.



## NEW ZEALAND

### I. PARLIAMENT AND POLICY

OUR twentieth Parliament met on June 24. From the Ministry the people had the right to expect a national, far-seeing and progressive reconstruction policy, from Parliament the transaction of business free from party bickering and partisan tactics. The Prime Minister had come back from the elections with a substantial majority over any combination of parties. He had declared his determination not to revert to the old party system, and expressed his hope that in future the government of the country would be on different lines from those which had obtained in the past. He had led the country to believe that the Government and its policy would be national in character. But the Governor-General's speech might almost have been formulated for defeated and exhausted Germany instead of for victorious and vigorous New Zealand with her wealth of resources awaiting development, and her prestige high in the world. A "litany of woe" is how one member described it, while it afforded some justification for another's reference to it as "a frank admission that the Government was bankrupt for a constructive policy." It began by sounding a note of "great anxiety" and a repetition of what the Government could *not* do, made a show of some machinery and consolidating measures, contained some platitudes about the avoidance of extravagance, the encouragement of industry and

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economy, and the necessity for friendly relations between employer and employed, but left the House and the people cold. It read like the pronouncement of a government afraid of the future and lacking confidence in itself.

Out of the flood of talk that always occurs in the debate on the Address in Reply, when members are hansardising themselves for their constituents, emerged three votes of want of confidence. The first, moved by Mr. Holland, the leader of the Labour Party, expressed the disapproval of the House at the Government's failure to provide a system of proportional representation, to combat effectively the high cost of living and provide homes for the people, to secure adequate coal and other fuel supplies, to proceed with the necessary public works. This was defeated by 39 to 16, a certain number of the Liberals voting with the Labour Party, others, including the Leader, leaving the Chamber. There followed a simple expression of the House's want of confidence in the Government as at present constituted (moved by Mr. Macdonald, the leader of the Liberals). This was defeated by 45 to 23, the Labour members voting with the Liberals. Then came a motion by Mr. C. E. Statham, member for Dunedin Central, a former Government supporter who had been returned as an Independent, that the "Government should, if not elected by this House, at least be elected by the members of the dominant party in the House." In the course of his speech, which led to personal recriminations and party manœuvring, he explained how in 1918 a progressive party of 13 members of the Reform Party was formed with a view to claiming some measure of independence in the expression of their opinion and the exercise of their vote, one plank of the party being the election of Ministers. Eventually the party split up, and three of its members were made Ministers, Messrs. Par and Lee, Ministers of Education and Justice, and Mr. G. J. Anderson, member for Mataura, Minister for Internal Affairs. This motion was defeated by 41 to 30, the latter number includ-



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ing Liberals, Labour, some Independents and some of the old Progressives. The closeness of the vote may be fairly taken as an indication of the dislike of our present party system of Government, and of the somewhat tyrannical autocracy into which it has developed. As the result of these decisions, the House may now be grouped as follows: Reform 44, Liberal 18, Official Labour 8, Independents, including Progressives, 10. The disclosures made by Mr. Statham, whose reputation for sincerity and honesty of purpose stands high, suggested the reason for the procrastination in the choice of the Cabinet, which has been formed on the old party lines and just completed by the appointment of the Hon. Sir R. H. Rhodes, K.B.E., as Minister of Defence. Sir Heaton Rhodes was Postmaster-General and Minister of Telegraphs in the former Reform Cabinet, but relinquished his portfolio on the formation of a National Government for war purposes. If Sir James Allen's method was *fortiter in re*, that of Sir Heaton Rhodes is rather *suaviter in modo*, and his appointment is an indication that for the present our Defence policy will be a "mark time" one.

In the debate on the Address in Reply it was only in the Upper House that any reference was made to the Imperial Problem. Mr. Triggs called attention to the danger in General Smuts's contention that any self-governing Dominion is entitled, if not bound, to render an account of her stewardship under her mandate direct to the League of Nations, and that the old doctrine that the British Parliament is the sovereign power for the Empire no longer holds good. Mr. Triggs maintained that there must be a United Empire in dealing with the world at large; pointed out that the King in the last resort must take the advice of his ministers in the United Kingdom, and approved New Zealand's action in regarding its mandate for Samoa as held under the Crown and the Parliament of the United Kingdom. "So long," said Mr. Triggs, "as the Empire is dependent for its protection and

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its existence on the sure shield of the British Navy, and in the main on the troops and materials furnished in time of war by the Mother Country, we are not independent of the Mother Country, and it is folly to pretend that we are." He asked that Parliament should have an opportunity of discussing the constitutional question this session with a view to creating a sound public opinion so that our representatives at the Imperial Convention next year might go with the authority of Parliament as a whole to deal with any measures they might deem necessary in order to safeguard the unity of the Empire. Sir J. R. Sinclair advocated "the loose tie" in the shape of a consultative not a governing body, an organisation that would leave to the Mother Country the final word upon all questions of Empire policy, to the Dominions their self-governing powers. Whatever the difference of opinion in New Zealand may be as to the future organisation of the Empire, it may be taken as certain that there is no demand for separate representation in foreign countries nor the slightest desire to repudiate the ultimate sovereignty of the British Parliament as the legislative, and of the British Cabinet as the executive power for the Empire.

Of Imperial interest, too, though ruled out of order, was a notice of motion given in the House of Representatives by Mr. Holland, claiming self-government for Ireland and urging the "immediate cessation of the application of martial law and the immediate withdrawal of the army of occupation." Mr. Speaker explained that he considered that the immediate withdrawal of the troops would mean handing over Ireland to outrage and murder, to the enemies of the Empire and Great Britain and to those who desired a republic in Ireland. Hence he ruled out the notice of motion on the ground that this demand was "irregular, unbecoming or objectionable in character." Mr. Holland moved that the Speaker's ruling be disagreed with, but was defeated by 41 to 4. The official Labour Party, while containing some of the ablest members and most capable



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speakers in the House, has already alienated the sympathy of all other members by its general attitude. Labour might be helping in Parliament to mould a progressive democratic policy. Instead, any cause that it takes up is at once suspect, as, for instance, its well-justified complaint about the continuation of the censorship over our literature. This is the more to be regretted as the party's representation in Parliament includes members who have proved their ability as practical men on city councils. In a Parliament composed so largely of representatives of farmers, it is difficult for city and industrial interests to receive sufficient consideration, and the antagonism between Town and Country is accentuated when such a large proportion of our city representatives are Labour extremists.

### II. DEFENCE

“**M**ARK time” has been referred to as likely to be the order of the day in Defence, but possibly “Dismiss” is more in keeping with the temper of the people, or, what may be a different thing, of those sections of them who are vocal. Never in the history of the Dominion has there been such a reaction as has followed the war. We have in the past suffered from apathy, but never from such antagonism to any form of military training. The lessons that the war should have taught us, that in modern warfare the army is the nation, and the nation the army, the suddenness with which the first blow is struck, the necessity for thorough organisation in peace time, and for an expert general staff, the value of our highly trained “Old Contemptibles” in helping to stem the first onset of the Germans and to save the world, seem never to have been learnt. Nor are people here heeding the numerous wars which are at present being waged, or the danger cloud that threatens in the East, in spite of the

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warning given by General Birdwood of the need for watchfulness, that we should keep up the Territorial force, make the best possible use of the experience of the men who had seen service in the Great War, and arrange for an exchange of staff officers with Australia and India. Owing to the success of our citizen armies the fallacies seem to have taken root that any system of military training soon becomes obsolete, and that we can improvise an army when the enemy is knocking at the gate. Several members of Parliament are said to be opposed to any continuation of our present universal compulsory training "Territorial" system. The Labour Party has consistently opposed conscription or compulsory training of any kind. But it has now adopted a policy of complete defencelessness by repealing the plank in its platform which advocated a voluntary citizen army paid at Trade Union rates.

In pre-war days university students formed keen and efficient officers' training corps, and their response to the call of their country was prompt and enthusiastic. Last month some 84 students of Auckland University College applied for exemption from military training on the ground of its interference with their studies. The conference of the New Zealand Farmers' Union by a large majority declared itself against our present system of Territorial training, which was described by some speakers as wasteful and useless, and carried a motion "that the principle of compulsory military training under the Education Department be approved." Mr. A. S. Malcolm, M.P., Chairman of Committees in the House of Representatives, sketched at the conference a system that he had already advocated in Parliament during the debate on the Address in Reply, viz., general training in the primary schools and military drill up to 14 in the secondary schools; attention to be given to the training of non-commissioned officers, and at the University College chairs of military science to be established so that the students could be trained as officers, and military science to be a compulsory subject for the



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degree examinations ; attendance at the drills and classes to be compulsory for all males.

In order to counteract this antagonism to any military system, the National Defence League has recently been formed, the successor of the league of the same name whose advocacy was largely instrumental in establishing our existing compulsory training system, and which went out of existence when it had attained its object. In order to avoid any dictation from the Defence Department, its constitution prohibits any professionally paid soldier, or any shareholder or official in an ammunition factory from being an officer of the League. The League stands for a white New Zealand, the maintenance of a universal defensive training system, the provision of sufficient arms and equipment, for immediate consideration of the question of providing State plant for the manufacture of shell and small arms ammunition, for placing recruiting in the hands of a civil department of the State, and for three years' service in the ranks as a preliminary to the appointment of commissioned officers. Some of its planks are novel ; special attention to moral training, to education in the ideals of good citizenship and in the observance of health principles, to the improvement of health under medical supervision, the strict suppression of all bad language in camps, the employment of selected women to assist in cooking, ambulance work, and in all the institutes in camp where they can be profitably and suitably employed. The League affirms the principle of equality of economic sacrifice in war time as applicable to all citizens of the Dominion whether soldiers or non-combatants. Its president is General Sir Andrew Russell, who commanded the New Zealand Division in France, and who has expounded the policy of the League to meetings of Farmers, the Labour Party, the Chamber of Commerce, the Commercial Travellers and the Anglican Synod. The policy of the League, which up to date has established branches in Christchurch and Wellington,

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has received support from the great bulk of the New Zealand Press.

In view of the present state of public feeling, the Financial Statement is discreetly silent about the future development of our land defences. There is a promise to remedy in the near future the lack of arms and equipment for the Territorial force. It is considered that aviation should develop on civil lines. An advisory Air Board (without any pilot on it) and a Committee of Defence "to co-ordinate the naval, land and air defences of the Dominion" have been established, but the appointment of boards is considered by the public, and generally rightly, to mean inaction.

As regards naval defence, the light cruiser *Chatham* will commission with a reduced complement of 334 hands, and will cruise round the coast of New Zealand and the Pacific islands under her jurisdiction. New Zealand will be responsible for the pay of officers and men, the upkeep of the ship, the estimated yearly cost, including depreciation, being £200,000. The *Philomel* will be fitted out as a training ship for seamen and stokers, who, when trained, will relieve ratings lent by the Admiralty and complete the *Chatham's* complement, being sent later for further training to England. A small administrative staff will be provided. It is estimated that an expenditure of £260,000, including repairs to the *Philomel*, will be required during the current year. In the debate some members expressed the opinion that a single cruiser would be costly and ineffective, and that the money spent on her upkeep would be more profitably spent on submarines and aeroplanes. Mr. Massey's speech showed the futility of any discussion when only a fragment of the Government's policy is disclosed to Parliament, for he stated that the *Chatham* would be merely a small part of the Pacific squadron which would also include British and Australian ships, and be composed of battleships, battle cruisers and submarines. Having let the cat's head out of the bag, he still concealed



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its tail and hind legs by declining to give any further information at present. The deputy leader of the Opposition complained that the Government had committed the country to a costly naval policy without giving the House an opportunity of discussing Lord Jellicoe's report or expressing an opinion on policy. In reply, Mr. Massey suggested that he would give an opportunity for an exhaustive discussion, and that the right time would be after Lord Jellicoe's arrival. To many the suggestion that the Ministry and the House should seek and take the advice of the Governor-General after his arrival seemed a dangerous reversal of the sound constitutional rule that a governor must not interfere in politics and must be guided by the advice of his ministry, not tender advice to them. A governor cannot separate himself into watertight compartments in one of which he is the Government's adviser and in the other their "advisee" and strictly neutral. It was felt that the late Governor-General interfered in several instances and imposed his policy on the Ministry during the war, and if our future Governor is to be dragged into the political arena, one of the few links that bind us to the Mother Country will be severely strained. The discussion ended in the defeat on the voices of a motion to reduce the naval estimates by £1 as an indication that the proposed expenditure on the *Chatham* was unwarranted, unnecessary and useless.

In the annual report of the Defence Department, the General Officer Commanding (Major-General Sir Edward Chaytor) emphasises the following lessons of the war as applied to the Dominion, viz. :—

(a) An efficient army can quickly be organised provided every man has had a limited amount of training, and there is available an ample supply of modern equipment and highly trained officers and non-commissioned officers.

(b) The large percentage of the man-power found by medical examination to be physically unfit for service

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points to the necessity of a thorough course of physical training for all youths.

“The experience during the war shows that: (a) The average New Zealander, if physically fit, can soon be trained sufficiently to enable him to take his place in the ranks of a unit that has well trained officers and non-commissioned officers, but that officers and non-commissioned officers require a much longer training. (b) A very large proportion of the young men are not physically fit for active service, but a large proportion of these can be made fit, and almost all much improved by a few weeks' course of physical training. (c) Well-trained and disciplined units always show a lower sick-rate and casualty list than poorly-trained and disciplined units operating under similar conditions. (d) Delay in mobilising an adequate force results in possible loss of success and in certain extra expense and loss of life by prolonging the war.

The Defence Department estimate is £550,593. The Minister of Defence in the discussions in the House of Representatives on the annual report and on the Estimates, told the House that a new training scheme had been prepared, and would be submitted to the Defence Council. It provides for the continuance of cadet training. The Territorial service is not to extend beyond the age of 21 or 22, and the training to be cut down from 7 to 3 years. The half-day and whole day parades, so irritating to trainees and employees, are to be abolished. The first period in camp has been suggested as a fortnight or six weeks, according to the efficiency of the men, and thereafter eleven days yearly. There will probably be no training camps for three years. Expenditure is to be cut down, and the staff reduced to a small but efficient body. Featherston Camp is to be broken up, but Trentham kept for some time longer. The number of military districts is to be reduced to three. Rifle clubs are to be encouraged under the management of a rifle association. The Government will not itself undertake the manufacture of small arms ammuni-



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tion, but will encourage private firms and build up a reserve. In these discussions the general consensus of opinion was that there must be a defence system, economical, efficient, non-militarist, consonant with public convenience. Expenditure must be cut down to the irreducible minimum; special attention given to the physical fitness of the population from its earliest days.

Mr. Holland's motion to reduce the headquarters item by £1, in order to express disapproval of the high military expenditure, was defeated by 43 to 9, and a further amendment to reduce the estimate by half as an indication that the House desired economy in Defence expenditure, and that the future defence policy of the Dominion must be in the direction of increased naval expenditure, was defeated on the voices.

### III. A WHITE NEW ZEALAND AND RESTRICTIONS ON IMMIGRATION

**D**URING the present year a large number of Orientals have entered New Zealand; 523 Chinese have landed in Auckland, 188 Hindus in Wellington. Returned soldiers' associations have protested to the Government and demanded more stringent restrictions, and all parties in the country are solid for a white New Zealand. The result of the clamour has been the introduction this month of the Immigration Restriction Amendment Bill, which might, in spite of the craft with which its real intention has been concealed, be appropriately termed "An act for the total exclusion from New Zealand of the Chinese." While on the one hand there has been a popular outcry against the admission of Chinese, on the other the Chinese consul has been endeavouring to have removed the degrading terms which are imposed upon Chinese who enter New Zealand and from which all other races (including Japanese) are free, viz. the poll tax of £100,

## A White New Zealand and Immigration

and the thumb-print record, and to have the Chinese treated in a way that will not offend the susceptibilities of the ancient nation that is one of Britain's allies and friends. He has suggested that a limited number of Chinese (to be mutually agreed upon) should be admitted each year, that the poll-tax and thumb-print should be abolished, and that provision should be made for the free entry of Chinese officials, travellers and merchants on a temporary visit. The Government's reply has been the Bill referred to, against which it is understood the Consul has protested as an insult to his nation. Although the Bill enables the Government to prevent a single Chinese from landing in New Zealand, and therefore renders the continuance of the poll-tax unnecessary, the poll-tax is retained. The Prime Minister and his colleagues do not seem to realise how big an issue may be raised in the future by this ill-considered proposal, nor to have thought it worth while, whilst adequately protecting New Zealand against any great influx of coloured competitors, to obtain the goodwill of a nation whose influence may be enormous later on in the preservation of the peace of the world.

But the Bill goes a great deal further than the restriction or even the prohibition of civilisations different from and not blending with our own. It has in the past been England's pride and England's strength that she has been the asylum of the oppressed of all nations, of all classes, of all religions, of a Garibaldi, a Mazzini, a Kossuth. In spite of projects for a League of Nations and of attempts to bring the peoples of the world into closer touch and closer sympathy with each other, New Zealand's Government is adopting the attitude of "Here comes a stranger. 'Eave 'alf a brick at him." Their Immigration Restriction Bill is one of the most arbitrary and reactionary measures ever introduced in a British community.

Every person who is not of British or Irish birth or parentage must obtain a permit if he desires to settle in, or a temporary permit if he desires to visit New Zealand.



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The would-be settler in New Zealand must first make application in prescribed form for a permit to enter, and the application must be sent by post from the country of the applicant's residence, and set forth in detail his intentions and qualifications to become a settler; whereupon, "if the Minister for Customs is satisfied, he may grant a permit." The Minister may at his discretion grant or refuse a permit to enter New Zealand. There is no appeal from his decision. Hence the Bill places under permit all foreign subjects and most British subjects. But there is power, by proclamation or by Order in Council, to exempt a nation or a people from the permit provisions; and "power is also reserved to the Minister for Customs to grant exemption in the case of any particular person or class of persons. Provisions are made for British subjects on entering New Zealand to take the oath of allegiance, and for others to take an oath of obedience to the laws of New Zealand. To these no exception can be taken. A foreigner contravening the oath after arrival becomes a prohibited immigrant, and may be dealt with accordingly.

A disquieting feature of this in common with a good deal of our legislation, is the arbitrary power given to the Government and to a single Minister to interfere with the rights and liberties even of British subjects without the latter having any right of appeal to a court of law. Substantial alterations may be made in the Bill when it is considered by Parliament, but if, as is certain, it be made a party question, the Government can force it through without amendment, subject to the power of the Crown to veto it subsequently, for the Bill as drawn does not contain the section that is usual in acts intended to be reserved for the assent of the Crown, viz., that the Act shall come into operation on the day on which His Majesty's assent thereto is notified by the Governor-General by a proclamation published in the Gazette.

# Samoa and the Pacific Islands

## IV. SAMOA AND THE PACIFIC ISLANDS

THE report of the Commission which was appointed to enquire into the conditions of trade between New Zealand and the Pacific Islands, and which accompanied the Parliamentary party on its Pacific tour, has recently been published. It is a clear and businesslike document that calls attention to the great room for development of the trade in tropical goods from the islands and the return trade in general goods from New Zealand, but shows that owing to want of shipping facilities and lack of enterprise on the part of the New Zealand Government and New Zealand merchants, trade which should be retained and increased by this Dominion has been largely diverted to America and Australia. Last year, for instance, New Zealand sold to Fiji goods to the value of £151,662, and purchased goods to the value of £882,574, whereas Australia, paying higher freights, bought Fijian produce to the extent only of £110,444, but sold to the Fijians goods to the value of £536,974. As all New Zealand's supply of sugar comes from Fiji, the Dominion is vitally interested in the sugar industry there. This the Commission reports to be in an unsatisfactory position, land having been withdrawn from cane cultivation owing to the shortage of labour, the low price given for cane and the conditions under which the planters work. One difficulty is that as the Colonial Sugar Company has only one year's contract for the supply of sugar to New Zealand, it fixes the price per ton of sugar cane that it will give the planters for one year only, and as they take three years' crops off one planting of cane, they are never able to plan their operations in advance with any confidence. New Zealand, too, which buys the cheapest sugar in the world, and probably consumes about the greatest amount per head, to the great detriment of her people's teeth, will have to pay a higher price if it



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wishes to keep up and increase the existing supply from Fiji.

In Tonga Australian trade has a lead. Direct shipping facilities are required, for oranges are rotting on the trees and bananas are not grown on the old scale. Restrictions imposed on New Zealand goods shipped to Tonga should be removed, and a branch of a New Zealand bank established in the group. A more frequent direct service is required between the group and Samoa, and the New Zealand Government should put a steamer in for the trade.

The Commission declares emphatically in favour of imported labour for Samoa: "With a judicious selection of imported labour, strict regulations regarding matters sexual, with improved living accommodation and increased payment to meet the higher cost of living, with opportunity afforded for wives to accompany their husbands, we think," says the Commission, "imported labour would be in the best interests of the natives themselves."

At present there are 138,500 acres of alienated land and 586,500 acres of land still held by the Samoans in Upolu and Savaii. Of this alienated land 18,386 acres are in cocoanut, cocoa and rubber plantations, for which there is little Samoan labour available. Prior to the war there were about two thousand contract labourers employed; at present, owing to extensive repatriation, there are about 1,166. This decrease in labour implies a corresponding falling off of production. With insufficient labour, plantations become overgrown with weeds and undergrowth, which form a safe breeding-place for the rhinoceros beetle. This dangerous pest, if allowed to spread, would rapidly destroy not only the 16,000 acres of European plantations, but the far greater acreage owned by the Samoans.

The Commission estimates that 86,000 acres of land could be purchased by white settlers, but does not favour the settlement of returned soldiers from New Zealand on

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this land. It thinks it advisable for the New Zealand Government to hold and develop for a few years the land formerly held by the big German company. The shortage of labour prevents the rapid expansion of the export trade in all classes of tropical produce. The creation of a tropical branch of the Department of Agriculture for work in Samoa and the islands, and cold storage in Samoa are suggested. Copra-making seems to suit the native temperament, but the copra trade has been forced into the hands of the Americans by the refusal of the U.S.S. Company to carry copra owing to its alleged inflammability, a reason that the Commission rejects.

The Commission considers the principle of communism rather than any physical unfitness is responsible for the Samoans' unwillingness to work.

Since 1914 Samoan traders have been forced to make arrangements with American shipping houses for the carriage of their commodity to America, and it will be increasingly difficult to break off the connections which have thus been formed. Unless practical means are immediately taken to counteract this connection, the copra trade of Samoa will be lost to British commerce. Then, too, if American ships take away the largest portion of the Samoan products, American ships will bring in American goods in exchange, and the loss to the Empire will be considerable. Direct encouragement has thus been given to American manufacturers of copra products, and they will not willingly relinquish the business which has gradually been built up during the past five years. It is suggested that copra exported to foreign countries from the Cook Islands and Samoa (if the mandate allows) should pay a higher duty than copra exported to places within the British Empire. The Government is recommended to purchase suitable ships for the Island trade. Shipping was the first thing mentioned by every witness. "There seems to be the same shipping trouble in nearly every island we visited, and unless this matter is satisfactorily



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dealt with it is utterly impossible to have trade development, for without a satisfactory service and a certainty that the produce grown will be taken away in a reasonable time, planters, native and European, become disheartened, and consequently trade languished."

The Commission suggests that owing to harbour and shipping difficulties, the Cook Islands, with the exception of Rarotonga, should concentrate on non-perishable articles, such as copra, coffee and rubber, and thinks that Niue, which at present costs New Zealand £30,000 a year, ought to be made self-supporting by making the purchase of copra in Niue a Government monopoly. The Government should call for tenders annually for the output of copra from the island, and the successful tenderer would be required to pay from time to time to the natives, cash for the material as it was delivered to the Government sheds. Administrative charges, together with, say, £4 or £5 per ton, should be deducted from the price paid to the natives, and the amount so collected used for the development of the island.

In the House of Representatives a debate arose on the presentation of papers dealing with the Parliamentary visit to the islands and the report of the Commission. Mr. Lee, the Minister of External Affairs, stated that the policy of the Government is to carry on the Samoan plantations with properly controlled indentured labour from China in sufficient quantities to maintain production, leaving the Samoans who did not care to accept employment on the plantations to live in their own communal way. Five hundred Chinese labourers were now on their way to Samoa. He quoted a letter from the Samoan District Committee of the London Missionary Society, expressing the opinion that it is impossible for the Samoans to cope with their own rhinoceros beetles in addition to those of the European plantations, if abandoned, and that therefore indentured labour is necessary in the interests of the Samoans, that the introduction of single Chinese

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labourers has not in the past, and need not in the future constitute any serious moral danger to the Samoan people. The Labour representatives dwelt on the moral danger, on the absence of any official investigation as to the opinion of the Samoans themselves, who, in answer to enquiries from Labour members, had expressed themselves opposed to the system. They asserted that the Samoans would work if properly paid, but not under Coolie conditions or for Coolie wages, and found the solution of the Samoan problem in giving the Samoans self-determination under the League of Nations or under a British protectorate. Of the other opponents, Mr. T. M. Wilford, recently returned from America, expressed his intention of voting against the admission of Chinese or Japanese to the Pacific Islands on the grounds of national safety. Hawaii, he said, had become a Japanese colony. The Philippines could be taken by Japan at any time. The Japanese had a footing in California and could not be turned out.

After Mr. Massey had explained that the period of indenture had been reduced to two years and permission had been obtained from the Chinese Government for wives to accompany the labourers, one hundred Chinese women being now on their way to Samoa, Mr. Holland's motion in opposition to the continuance of the indentured labour system was rejected by 33 votes to 11

New Zealand. September, 1920.





## IRELAND AND THE HOME RULE ACT

SINCE the December number of THE ROUND TABLE appeared an event has occurred which may some day be recognised as the most momentous in the long history of the relations between Great Britain and Ireland. Home Rule has at last become a constitutional fact. A few years ago the Government of Ireland Act would have been universally regarded as marking a new epoch. And yet to-day it leaves people cold, not only in this island, but also in Ireland, and, indeed, everywhere in the world. What, then, is the reason ?

The answer is twofold. In the first place, constitutional legislation applied to Ireland at this moment seems, even to people on this side of the Irish Channel, to lack reality, just as, after 1914, the newspaper reader would turn impatiently from parliamentary debates to the latest bulletins from the front or to the last gossip about peace feelers. Ambushes and reprisals, rumours about negotiations and the chances of an agreement, at present absorb attention. For Ireland—or rather, the party that now controls her—is at war with us just as the Germans were. Between January 1, 1919, and February 5, 1921, the killings have amounted to 337 and 590 persons have been wounded all told.\* In the second place, suspicion

\* The figures of which these totals are composed are as follows :—

	Killed.	Wounded.
Police ..	224	336
Soldiers ..	54	143
Civilians ..	59	111
Total ..	337	590

Besides this, 535 R.I.C. barracks have been destroyed, of which 23 were occupied, and 173 barracks have been damaged, apart from the destruction of civilian property that has taken place.



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has hitherto prevented any calm consideration in Ireland itself of the possibilities of the new position. The Act is regarded as a specious *ruse de guerre* of the British Government, which is believed to be aware that it will never be worked.

Under such conditions it is not surprising to find that few people know, or even care to know, what the constitutional change involves, and the ignorance is even greater abroad than in these islands. The object of this article is not to examine contentious details or to speculate what conditions might or might not be accepted by the rebels in Ireland, but to try to show, broadly speaking, the change that the Act really makes.

In the first place, it may be said at once that it cannot be expected to find favour with extremists who will be satisfied with nothing short of a republic, for it leaves Ireland within the Empire. The majority of Irishmen are, moreover, dissatisfied with its financial provisions; and it fails to meet the aspirations towards Irish unity which Englishmen now-a-days share with the bulk of Irishmen. People of every political complexion in this island, indeed, look forward to the day when a real union will be possible between the rest of Ireland and Ulster, though we are not for the most part prepared to coerce the latter into entering such a union. For such action would not only be a betrayal, it would be even less effective than the union of Great Britain and Ireland has proved and almost certainly lead to civil war. The Act does, however, provide a machinery by which the two new provinces into which Ireland is now divided can of their own accord come together without interference from outside as soon as people are ripe for such a move; and no other kind of union is worth having. More than that, the establishment of the Council of Ireland directly promotes the chance of such an understanding, for nothing helps more effectually to remove prejudices than having to tackle practical, everyday questions at the same counsel-board.

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As soon, moreover, as the two sections agree to unite, it would be feasible for a united Ireland to obtain further powers, which are necessarily withheld from the country while it remains divided. It is not possible to predict what may eventually be done after unification in the matter of customs, but if their control were to be handed over to-day the result might well be a tariff wall, not only between Ireland and this country, but even between Northern and Southern Ireland; a state of things which would lead to greater friction than ever. Irish patriots may deplore the conditions, as all of us do, which keep the two sections of their country apart, but it is unreasonable to condemn the Home Rule scheme simply because Parliament declines to bring force to bear on Ulster.

These considerations, however, only touch the negative side. A great positive revolution has been effected. Castle government is to go as soon as Ireland herself decides to put the new machinery in motion. Irishmen in every part of their country have now the power both of governing themselves and of reaching by constitutional means the fuller national life which only a united Ireland can give. And for Ireland it will be a new experience to manage her own affairs. For although there used to be a Parliament at Dublin before Pitt passed the Act of Union, Catholics were then disfranchised, and all authority concentrated in the hands of a small class which was largely alien by race as well as by religion. And although the Catholics were enfranchised in 1829, things have been much the same under the Union, at all events for the greater part of the last half century, for the powers given to them have not really been made use of. It has long been the deliberate and consistent policy of the dominant Irish party to stand aloof from any share in the government of their country, much as the Boers did in the short interval between the Boer War and the grant of responsible government to the Transvaal and Orange Free State. Mr. Parnell refused a seat even in Mr. Gladstone's Home Rule



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Government, and Nationalists have systematically avoided office. Thanks to this policy, the British, whether they liked it or not, have under the Union been forced themselves to carry on the government of Ireland. Purely Irish questions have also in practice been decided at Westminster by British votes, and the irresponsible attitude of the Irish Party continually forced Ministers in charge of Irish affairs to use the assistance of their own British supporters to carry such measures as they felt to be necessary.

When Scottish questions come before the House, on the other hand, no such action is necessary, because the Union has been wholeheartedly accepted and loyally worked by Scotland. Her people have, indeed, amply justified the belief that there is no higher ideal than Unionism wherever the conditions render possible a union of hearts. The consequence is that most Scotch affairs are left to Scottish members to settle ; and in practice their country may be said not only to control her own affairs, but to play a part in the government of the United Kingdom which is more in proportion to her merits than to her relative importance from a material point of view. For an extraordinary number of our leading statesmen have always come from north of the Tweed. Irish leaders have, of course, at all times been perfectly aware of the price that their country has paid for non-co-operation,\* but they welcomed it. For the wedge that divides the two countries was thereby driven further home and the only end for which they cared—the dissolution of the Union—brought nearer.

The irony of the present situation is that now the prize is within her reach Ireland refuses to take it, although it would enable her to compass all her legitimate desires. What then is the reason for this *intransigence*, for until

\* Their attitude was not, of course, comparable to Indian non-co-operation to-day. Irish Nationalists took their seats in Parliament and have even when their own purpose required it, collaborated with British parties.

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it is understood no comprehension of the Irish problem is possible? The claims of Sinn Fein are not only more extreme than the old Nationalist demand, but there has also been a revolutionary change of method. The Nationalist leaders were relentless in the means that they employed, but they kept, at all events, to constitutional paths. To judge, indeed, from Mr. Dillon's reply the other day to a branch of the United Irish League of Great Britain, discouraging any attempt at fusion with Sinn Fein, notwithstanding his vehement disapproval of the actions of the present Government, the scanty remnants of the old Irish Party still adhere to their traditional principles. The leaders of that party, moreover, showed a capacity to accept the limitations imposed by facts such as geographical conditions, and it is impossible to imagine either Parnell or his successors throwing away the substance to grasp a shadow. Under the new leaders, however, all is changed. What was formerly the "left" has become the "right," and Home Rule of the ordinary kind is spurned. It is true that, according to a statement which appeared in certain newspapers a short time ago, Mr. de Valera made use of words which might conceivably show a readiness to accept a settlement which would leave Ireland within the Empire. He is reported to have said "that the British Dominions have had conceded to them all the rights that Irish Republicans demand. It is obvious that if these rights were not being denied to us we would not be engaged in the present struggle" As, however, is pointed out by a British Liberal weekly\* which itself draws the deduction that the Sein Fein leader would accept actual partnership in the British Commonwealth, "these sentences form part of an argument intended to prove that those who urge the substitution of Dominion Home Rule for the republican demand are, in Mr. de Valera's words, 'fooling with a phrase, inasmuch as, in his opinion, Great Britain is no

\* *The New Statesman*, February 5, 1921.



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more likely of her own free will to concede one claim than the other.'” With this problematical exception, the cry at all events has always hitherto been complete independence or nothing, and murder and violence have taken the place of constitutional non-co-operation.

In ordinary times our traditional way of investigating a political mystery of this kind would be a Royal Commission. It is easy to imagine the explanations that would be put before one by Irish witnesses. The long delay in recognising Ireland's claims would be emphasised. Ireland, it would be urged, is sick of being played with and determined no longer to be tricked. Instances without number would be quoted of opportunities that should have been taken. Complete control of Irish finances, a more open-handed settlement, would be demanded, and the division of the country compared with King Solomon's famous judgment. And in the background, colouring everything and culminating in the arming of Ulster and to-day's bitter struggle, would, as always, lurk the long tale of Ireland's wrongs. The question of Union has been referred to on a previous page. The financial settlement should undoubtedly be as generous as possible; but where the interests of two peoples are involved justice imposes certain limits on generosity. To deal, however, with each separate count is, as already stated, outside the purpose of this article. The sincerity of the evidence would, no doubt, be beyond all question, and it would all bear, directly or indirectly, on the object of our enquiry. It would, moreover, throw light upon Irish mentality, which, near though it lies, with its wealth of poetry and passion, to the root of the trouble, has never been properly understood on this side of St. George's Channel. Our errors of omission and commission in the past have certainly much to answer for. And yet all the explanations might leave us as far as ever from what we are trying to discover. Irish habits of retrospection and historical causes, no doubt, explain the traditional attitude to England; but that has always been there. The

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events of the last twelve months have added bitterness ; but the new spirit began to show itself long before that. Rebellion and intrigue with Germany, as recent disclosures have shown, date from the early years of the war. The flame of discontent has been fanned by delay ; but, as far at all events as the last few years are concerned, the Irish, in their ordinary mood, would be the first to make allowances for the terrific pressure of the war and its aftermath. The charge of bad faith is, doubtless, widely believed ; but even that is rather a symptom than a cause, and by itself would be insufficient to induce so generous a people to reject a proffered hand. It no more accounts for the recent change than organised agitation feeding upon an ancient hate explained the essence of the Nationalist movement of yesterday, though many of us were brought up in that belief. A genuine idealism inspired by the loftiest patriotism undoubtedly lies at the root of both the old and the new movement.

The true explanation of the latest development must, in truth, be looked for outside Ireland. For it is no spontaneous growth, and Irish psychology itself on this occasion plays the *rôle* of a sensitive instrument rather than of a key. The extraordinary renaissance which in a few years has produced in young Ireland such disinterested, though fanatical, enthusiasm, is, indeed, simply the local manifestation of the new spirit which, like some fierce wind in spring, has been stirring every corner of the world. It has found expression in the famous phrase, "self-determination," which, although it has generally been credited to President Wilson, really came in the first instance from Bolshevik Russia. That the movement itself contains much that is admirable is beyond dispute. The real tragedy of history is, as has been well said, not the conflict of right with wrong, but of right with right. We have, indeed, no quarrel to-day with the healthy craving of a gifted and self-respecting people to develop their own national life, and to control their own affairs, but only with the extravagant



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lengths to which the more extreme votaries of the new spirit have gone, both in their aims and in their actions. On the contrary, the patience shown by the British public after the crimes and excesses which have brought discredit upon that spirit, although it has sometimes been attributed to the numbness left by the surfeit of horrors to which the war accustomed us, is far more largely due to the sympathy felt for the legitimate aspirations of Ireland. Slow as we have been to recognise them, there has now for a long time been a genuine desire that their satisfaction should be as complete as justice and the vital interests of our Commonwealth permit.

But if in the past our lack of imagination has been the main stumbling-block, to-day the danger comes rather from the passion that has temporarily blinded Irish patriotism. For salvation lies for neither of us in divergent paths. Nature herself has, for good or ill, made our respective islands mutually dependent upon each other, and their reconciliation cannot be long postponed without irremediable disaster. Separation would be a step backward and not forward, and the dissolution of the British Commonwealth would be a fatal blow to the hopes of those who, with the eye of faith, already see a wider co-operation which will one day embrace all the peoples of the earth. Fortunately there are signs in Ireland, too, of a disposition to look at things from a broader and more reasonable standpoint. One swallow does not make a summer, but the Lenten Pastoral of the Bishop of Cork, the province in which the flame of revolt burns brightest, strikes a new note. Its courageous sanity is so striking that it deserves to be read by a wider circle than the Bishop's own diocese. The following is an extract from *The Times* of February 7 last :—

Cork, February 6.

Dr. Cohalan, Roman Catholic Bishop of Cork, in his Lenten Pastoral to-day, says :—

“The validity of the proclamation of an Irish Republic, according to the teaching of the Church, is a very important point for considera-

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tion. If Ireland is a sovereign state she has the right to use physical force, but if not, physical force is unlawful. The Holy Father has made no pronouncement specifically on this Irish question.

"The question is, Was the proclamation of an Irish Republic by Sinn Fein members of Parliament, after the last General Election, sufficient to constitute Ireland a Republic? According to our Church teaching the answer is: It was not. The resolution of Dail Eireann could hardly pretend to include North-East Ulster in an Irish Republic, but, putting aside the Ulster question, the proposition that a new sovereign state could be established in that way would strike at the stability of all states.

"If a Parliamentary majority after the last election was able to set up a Republic, a possible majority after the next election could overthrow it. What if North-East Ulster declared itself a Republic? What if Connaught, Leinster, and Munster declared themselves Republics? What if, at every alternate election, they declared for union and Republics? However we may desire a position of absolute independence for our country, we cannot hold that the proclamation of Dail Eireann constituted Ireland validly a sovereign state, and, while fighting for freedom, we must be on our guard against erroneous principles which might endanger the unity of Ireland at some later period."

Proceeding, Dr. Cohalan denies the right of small nations, heretofore part of a greater monarchy, to become by the mere proclamation of the principle of self-determination a sovereign state, with the right to kill servants of the Crown and to destroy Crown property. This would not, he says, be in accordance with Church teaching. The physical force policy is unlawful, and, whenever tried in the past, has failed to restore Ireland's freedom.

### THE UNION DEAD

Dealing with the economic side of the struggle, the Bishop asks:—"What is to be said if very heavy sacrifices are imposed which bring us no nearer to freedom? Is our struggle for freedom to be a work of destruction leading solely to bankruptcy?"

"In the midst of the present troubles," he continues, "there are some very encouraging considerations. The Union and Unionism are dead, and for the first time since the Union the hitherto Unionists, many of whom are men of great capacity for public affairs, are restored to the service of Ireland. Then there are indications that many in North-East Ulster, no longer facing to Westminster, are looking for commercial and political union with Southern Ireland. It were well if North and South came together and settled the Irish question before the appointed day. Nothing short of the settlement



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proposed in the Minority Nationalist Scheme of the Irish Convention will establish lasting peace in this country.

“ We all hope that the Partition Bill will be amended and made more acceptable, but if the Bill be not amended and an election be announced in Southern Ireland, what is to be our course of action ? Electors should insist on the fullest freedom, and consider whether they should favour taking what they have got and striving for better, or submitting even indefinitely to Crown Colony oppression. We are under military rule, and I have no doubt even now that, with the blessing of God, we shall surely win our freedom.”

As the Bishop's words imply, his country stands at the parting of the ways. The first leads still further into the waste. The second will not take Irishmen outside our Commonwealth, but it gives them Home Rule at once ; and it alone leads to that promised land in which Parnell saw long years ago, while it was yet far off, Ireland a Nation.

# THE MIGRATION OF THE RACES

## I

FOR more than five years emigration has been interrupted by the war, but with the reappearance of passenger ships it has begun again. Anyone who cares to visit an Atlantic port the day an ocean liner is sailing can see it for himself. It will not be a sensational spectacle, just a sea of faces in the steerage part of a great ship. To the inhabitants of the port there will be nothing unusual in the sight. For them it is simply the normal course of events again, as ordinary an event as a muster of swallows on their telegraph wires before the long flight south. Long familiarity has made them slow, too, to notice differences in type, though a certain strangeness about many of the faces, which are clearly not Anglo-Saxon, Teutonic or Scandinavian, will strike the visitor. But although to Plymouth or Southampton these steerage passengers are merely birds of passage, they none the less form part of a great world movement which is gradually effecting changes compared to which even what has been going on in Europe is ephemeral.

And across the sea, whatever reception awaits these people, they will certainly not find the indifference of the port of departure. Here in the Old World it is centuries since our populations reached comparatively fixed conditions. Our numbers may wax or wane, but permanent immigration is a relatively small factor, and to most of us assimilation is only a name. We are more concerned



## The Migration of the Races

about an outlet for our own people when times are bad. But in the new world the immigration problem occupies a very different place, thanks to the uneven way in which the inhabitants of our globe are distributed. If, indeed, a Martian were to approach it from the air the contrast between countries black with people and those whose virgin solitude is almost unbroken would strike him before anything else. There are districts in Europe in which there are more than 600 people to the square mile. The British Empire itself comprises the best of the unpeopled parts of the earth, and yet the bulk of its white inhabitants are still concentrated in a couple of small islands in the North Sea. In Great Britain alone there are nearly 360 people to the square mile, while in Australia and Canada, though allowance must be made for large barren tracts, there are less than three.

The problem is not, however, simply how to transport people from countries which have too many to those which have too few. For one thing, even under the most favourable circumstances, the latter can only absorb a certain number at a time, and the rate varies with their respective conditions, which themselves are constantly changing and often already as complex as those of the Old World. There are, moreover, elements which cannot from their nature be absorbed at all. The qualities that immigrants are bringing to their adopted countries to-day are, indeed, of supreme importance, for their children will be the great nations of to-morrow; and it is as true of a people as of an individual that the child is father of the man. The future of the world itself largely depends upon these third-class ocean passengers. To attempt to consider the emigration question in compartments would be useless, for it is bound up with cosmic problems whose roots intertwine far below the surface, and they affect every people. A survey of the whole field is at all events essential if a sound policy is to be arrived at by any of us.

# The Migration of the Races

## II

WHATEVER the immediate causes of movements of population—and their name is legion—there would seem to be in man an ingrained migratory instinct, for we know of no age when they have not taken place. The oldest legends tell of migrations, and, as already stated, they are still profoundly affecting the course of history. In primitive times they took the form of armed invasions, after which the conquered race would either be wiped out or made into bondslaves. It was then easy for a whole people to impose itself upon another country, for there were few people in the world, and the habits of those who lived in its settled parts made them an easy prey to races which had not yet taken root and which at first had the advantage of numbers. The nomad life, indeed, that is described in the Old Testament was by no means peculiar to the Middle East, but was found wherever there were great plains, like the Steppes of Eastern Europe or Central Asia. And the same restlessness existed even in Northern Europe where conditions did not allow an equal freedom of movement. There, too, the moment came when the dam burst and the barbarians streamed out of their forests into the sunshine of Italy. The disease in the form it then took led, for the time being, to its own cure, for, their goal reached, the invaders would generally themselves settle down and become absorbed in the civilization of the people they had vanquished. The known world, moreover, gradually filled up, and there were soon few areas to which a whole race could migrate. And though the very elaboration of society has in our own times led to migration upon a larger scale than ever, development at first discouraged movement, because with more stable conditions man ceased to be self-sufficient, and was less able to stand transplantation, while society became an intricate piece of machinery unfit for race migration. Nevertheless the



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event showed that the old instinct had not died out, but only wanted the occasion to come to the surface again. And the occasion came. For though it was long before they took shape, except in dreams and legends, there were still vast continents to be occupied. South of Egypt, Africa long remained a sealed book. The desert sun, like the angel with the flaming sword, for ages guarded its secrets, as the ocean kept those of the West. But the New World was at last disclosed, and with its discovery the migratory movement began again. A rush of the kind that had more than once swamped some old-time civilisation was out of the question, for although the natives were this time too weak and backward to resist, Nature herself stood in the way. The new countries were separated from Europe by a waste of seas whose terrors were enhanced by centuries of legend, and want of transport put rapid progress out of the question. From the deck of the liner referred to in the last section, indeed, a caravel of the time of Columbus would have looked like a rather unpractical fishing smack. But slow as it had to be, the movement was sure, and, in spite of difficulties, it has continued with growing intensity until, in our own times, over one and a quarter million people have been known to cross the ocean in a single year to the United States alone, a greater host than ever followed Attila. The pioneers were drawn almost exclusively from the seafaring peoples on the shores of the Atlantic. The Renaissance at the time was working in the blood of the Old World like the spirit of spring, and in sailor races it found expression in a thirst for adventure. For them the fascination of the unknown far outweighed its terrors.

But long after the first mystery had gone the supply continued to come from the same source, though the movement did not reach the proportions to which we have grown accustomed in modern times until well into the nineteenth century, and in the forty-odd years which followed the War of Independence the United States

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hardly attracted 250,000 people. In the main, moreover, the stream from the Old World has to this day kept its original direction to America, though other currents, often of potential importance out of all proportion to their actual volume, from time to time appeared as fresh new countries were opened up. It is over three centuries since the seeds of the Boer population were first sown by Holland at the Cape, and after the revocation of the Edict of Nantes they were reinforced by an influx of Huguenots. Early in the last century the country passed into our own hands, and since that time a British element, which has gradually increased until to-day it is almost as large as the Dutch, has been added to the population, which now extends far into the interior of the Continent. The white inhabitants, all told, however, are still under a million and a half, as compared with about five millions of Kaffirs, and the increase by immigration has always been trifling. Of late years, indeed, the departures have more than equalled the arrivals. Australasia only came within our horizon towards the end of the eighteenth century, and its colonisation has hitherto been so exclusively carried out from these islands that at least 95 per cent. of the population is of British or Irish race. The gain of man-power from over the sea has also been hitherto small in comparison with its great resources. To-day there are some five million people in Australia, and perhaps 100,000 aborigines; while in New Zealand there are less than a million and a quarter, including nearly 56,000 Maoris; and almost 83 per cent. of the Australians and 800,000 of the New Zealanders were born in their respective Dominions. Between 1861 and 1918, indeed, if departures be deducted, Australia received less than 800,000 people by net immigration, as compared with an addition of over three millions by natural increase; and in New Zealand the excess of arrivals over departures during the six years before the war did not reach a yearly average of 8,000. South American immigration returns are more impressive. The present population of Brazil is



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estimated at thirty millions, and since 1887 she can show a gain of considerably more than three millions by immigration. In the Argentine there are to-day over eight million people, and nearly five million came to the Republic between the years 1857 and 1917.

Compared, however, to the North-American figures the rest sink into insignificance. Between 1820 and the end of 1919 some thirty million emigrants from Europe and four million from other sources came to the United States. In Canada the full tide has not long been flowing, and her population is still only just over seven millions; but from 1896 onwards she, too, has had an immigration from over the seas of over two and a quarter millions, to say nothing of a further 1,385,176 from the United States.\* South America, the old domain of the kings of Spain and Portugal, has naturally drawn most of its immigrants from Southern Europe. Thus the Brazilian figures include a million and a quarter Italians, 752,105 Portuguese, and 472,216 Spaniards; and those for the Argentine over two and a quarter million Italians, and more than a million and a half Spaniards. North America, however, for more than three centuries received more of its settlers from these Islands than from any other source. Nor can the importance of this fact easily be overestimated, for this time it was the civilisation of the invaders that was to last; and at the outset the Anglo-Saxon ideal of freedom was firmly planted in the virgin soil of the New World, where, thanks to British sea-power, it has safely reached maturity.

As time went on, however, the virtual monopoly which the British Islands enjoyed of immigration in America began to be challenged from more than one quarter, and to-day all the peoples of the earth are represented in her population. Irish immigration has become smaller owing

\* Both in the case of the United States and of Canada gross immigration figures are given, but from each there was also a large emigration. Thus it is calculated that between 1908 and 1914 36 aliens left the United States for every 100 admitted.

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to the marked drop in the population at home, and the British now favour the Dominions to an increasing extent. In the last ten years of the nineteenth century the latter attracted only 28 per cent. of our emigrants, but during the first twelve years of the present century the percentage grew to 63, and in 1913 it was as high as 78. The grand total of American immigrants from the British Islands is, however, still larger than from any other single country, and accounts for 24·7 per cent. of the hundred years' influx from Europe. About half of the whole American population is, indeed, to this day reputed to be Anglo-Saxon by race, and certainly most of the well-known names in American public life show a similar origin.

But for all that the character of the people of America has long been undergoing a change. At first it was less noticeable because the newcomers who were not British belonged to kindred races, which were comparatively easy to assimilate. Towards the middle of the nineteenth century it was the Germans. They came to the United States in nearly as great numbers as our own people, and though the stream dwindled before the century was out, in the early 'eighties its volume was greater than that of any other nationality, reaching a total of 250,600 persons in the single year 1882. The Scandinavian contribution, a relatively small one, less than  $2\frac{3}{4}$  millions all told, as compared with the German total of nearly  $5\frac{1}{2}$  millions for the hundred years, waxed and waned about the same time.

But in the last quarter of the nineteenth century a more radical change set in, and a new kind of immigrant, the strange type noticed in the first section of this article, began to take the place that the Anglo-Saxon and his kinsmen or neighbours had hitherto occupied in American immigration. They were no longer from the West, and with Western peoples most of them had little in common. The new movement was from the South and the East of Europe, from the section of humanity which is known to



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the sailor as "Dagos." It began with a mere trickle. Before 1870 only some 70,000 of them arrived, as against 6,648,000 from the old sources. But in the 'nineties there were nearly two million Slav and Latin immigrants, as compared with 1,664,000 from other races ; and in the first decade of the present century the floodgates fairly burst, no less than 6,300,000 emigrants coming from the South and East of Europe, and less than two millions from the North and West. And so it continued up to the outbreak of war. Although moreover, as far as totals are concerned, no single nationality has yet passed either ourselves or the Germans, when it is remembered how recently the Slav-Latin stream began to flow, the United States figures are sufficiently sensational. Italy, for instance, had already at the end of 1919 sent over four millions of the hundred years' total of thirty million European immigrants. Austria-Hungary had contributed about the same number as Italy, and Russia followed close on their heels with over 3½ millions. The total, indeed, from the south and east of Europe amounted already to just over eleven and a half millions, only half a million short of the joint population of Canada and Australia, and it was as much as 34·7 per cent. of the whole century's influx from Europe. A similar change has more recently also begun to affect Canada. The United Kingdom has hitherto, it is true, almost every year except during the war sent a larger number of immigrants to the Dominion than any other source—1,347,996 of those who have arrived since the beginning of 1897 up to last November are either British or Irish, the figure for immigration from the United States during the same period being slightly higher as the result of the war—but over 900,000 immigrants came from other foreign countries, and the proportion from the south and east of Europe was continually increasing.

The significance of this revolution in the character of American immigration is obvious. A very large number of the new-comers came from countries in which tyranny

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was as ingrained as liberty is in the British Commonwealth, and democratic institutions and ideals meant little or nothing to them. Nor do the figures represent the final stage. The American official report points out that at the outbreak of war the new movement "was at flood tide, and promised so to continue for years to come;" but to leave the matter even there would be misleading, for the main Russian reserves had hardly been reached, and large as the emigration from the late Tsar's dominions had been during the early years of this century, in 1907 only 6 per cent. of it was from Russia proper, the rest being entirely from the border countries of Esthonia, Lithuania, Latvia, and Russian Poland. It was indeed a mere earnest of what might be expected in future. By 1913 the contribution of the real Russia had already grown to 17 per cent. of the Russian total, and investigations made in Russian villages by the American Bureau of Immigration convinced it that "unless artificially checked the movement would eventually increase to enormous proportions." Besides, the birth-rate of the "new immigrants" far exceeds that of the native-born Americans, and as the Slav and Latin go to mining and industrial work, which keeps them concentrated in certain districts, they cannot in any case be so easily absorbed as the old immigrants who for the most part went on to the land and were dispersed all over the country.

The assimilation of such vast numbers soon began to tax even the powers of the United States, and the character of the "new immigration," for such was the name given to it in America, caused considerable anxiety lest Anglo-Saxon ideals should suffer through the failure of the new type to rise to the American standard. A commission was appointed in 1907, and in his address to it the late President Roosevelt placed the immigration question first among American problems, or second only to that of conservation. Something of its complexity we British should be able to grasp, for we know from experience how difficult it is to



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help backward peoples to attain a higher political level. But there is all the difference in the world between giving such assistance to a separate country like Egypt, the form which the task has hitherto taken for us, and dealing with a constantly changing and ever growing medley of polyglot races in one's midst, which is the problem that faces the United States. The American national type would itself inevitably be changed if its strength were to prove unequal to the task of moulding the imported mass.

But the problem in the form that it has taken for America does not concern her alone. The nations of which the British Commonwealth is composed are themselves drawing population from over the sea and concerned with the selection of its sources. One such nation is already faced with the same danger as the United States, and as it is potential for all new countries, none of them can afford to ignore America's experience. The appended charts show the volume and the sources of her immigration for the last 100 years as far as 1920. But statistics by themselves are misleading. The present situation must be read in the light of the changes that the war has brought, and the advantages and drawbacks of the different sources examined. For much as our vineyards need labourers, like America we have a lamp to keep alight. The first step is, however, to recognise the factors which have operated in the past

### III

TO arrive at any sound conclusions about the future it is necessary to know what has hitherto made people emigrate. With forced movements such as the slave trade we need not concern ourselves, for they have gone for ever, and the deportation of undesirables is also a thing of the past. The causes of voluntary migration are many, but there have at all times been two main considerations, the position at home and the prospect abroad. Sometimes the

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latter has been such as to allure even people who have nothing to complain of in their own country. This happened when gold was discovered in California in 1854, in Australia in 1861, and on the South African Rand in the 'eighties. And a mere desire to rise in life or a taste for adventure has often been enough to take a man abroad, for emigration is one of the forms which the surplus energy of a virile race is always apt to take. On the other hand, pressure at home has sometimes been sufficient by itself to compel a leap in the dark. In ancient times a series of tribal movements would be started by some obscure people outgrowing its means of subsistence far away in the hinterland. But as a rule both considerations have influenced the emigrant at the same time, and they generally react upon each other, for when the outlook is gloomy at home, there is always a tendency to idealise what is remote, just as nothing puts people more out of conceit with their surroundings than dreams of a far-off promised land.

And the pinch at home has itself taken many forms. Conscience, political sentiment, tyranny, the restlessness left by war, all have played their part as well as economic pressure. The first sent the *Mayflower* three hundred years ago to New England. A century and a half later an unjust British commercial system gave a backbone of Ulstermen to the Republican Army which won American independence. After it was won 40,000 colonists, the United Empire Loyalists as they were called, moved to Canada to remain under the British flag, just as, early in the nineteenth century, the Boers of South Africa trekked north of the Orange and Vaal rivers to escape it. Emigration stimulated by hatred of the same flag has reduced the population of Ireland from over eight millions in 1846 to four millions to-day, and of the eight odd millions who represent these islands' share of a hundred years of American immigration, more than half were Irish. About 25 per cent. of the Australian population are of the same race, which is also an important element in Canada and other



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countries, and wherever the Irish go they carry with them the bitterness which was brought home to us some months ago by Archbishop Mannix. Tyranny has sent thousands of Jews, Poles and Armenians across the ocean. No less than 1,402,695 Poles entered the United States between 1899 and the end of 1919, and a million and a half Jews, of whom over a million were from Tsarist Russia. As for war, the figures quoted in *THE ROUND TABLE* in December, 1916, show the restlessness that it leaves.

But the economic factor has always counted for more than any other cause. At an early stage the growing peoples of the world had to go outside their own boundaries to satisfy their needs, and their ventures did not stop at international trade. Political trouble at home was no doubt behind the foundation of the early Greek colonies in Asia Minor, but food difficulties, in the opinion of a recent writer, stimulated the later enterprises in the eighth, seventh and sixth centuries before Christ, just as in our own times Japan, herself a poor mountainous country like Greece, has been looking for an opening on the other side of Asia. More than once similar schemes were started to relieve the proletariat of Ancient Rome.

But in no age have economic causes played a more important part than in the last hundred years. Emigration on the modern scale, indeed, dates from the end of the Napoleonic wars, when 20,000 people left these islands for America in the single year 1817, an unprecedented number for those days. In 1830 the number had swelled to over 70,000, and the following year was close upon 100,000. And the movement was due to economic difficulties even more than to the restlessness left by the struggle with France. The prices of produce fell after the war, and agriculture was hampered by uncertainty. A Royal Commission, indeed, considered the slump the principal cause of trouble ; but there were other reasons as well. In England it paid, while wheat was fetching high prices, to convert small holdings into large farms, and in Scotland arable country

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was fast turned into sheep walks, just as in later years plough land south of the Tweed became pasture. Every such change naturally displaced labourers and forced them to go abroad. There were, moreover, large districts, especially in Scotland, where the population had in any case early in the last century far outgrown its means of support. And in the manufacturing world the dislocation was even greater, for English life was undergoing a complete transformation. Power was everywhere taking the place of hand work. The invention of the steam engine had been followed by the introduction of the modern factory system which depended upon coal instead of water, and so entailed changes of site as well as of method. This mechanical revolution, by immeasurably increasing our capacity for production, helped us out of the slough left by our wars, but the immediate result was further displacement and unemployment everywhere, while cheap labour from Ireland, which was herself suffering from depression, helped to make things worse. The wages of English artisans in the early 'thirties were often less than half of what they had been the year after Waterloo, and the low remuneration of farm hands remained till the latter part of the nineteenth century a frequent reason for people going abroad.

Such were the conditions which started the great emigration movement of the nineteenth century. And once started, a variety of things kept it going. Until some years after the French wars, thanks to an early start and immunity from invasion, we had the industrial field to ourselves, but by 1831 foreign competition, a factor often blamed for bad times in later years, set in, and upon its heels came a wave of unemployment which lasted till well into the 'forties. As for Irish emigration in the middle of the last century it was often greater than from our own island. There were, however, other causes than hatred of England. A principal one was the "mysterious but universal sickness of a single root," which is referred to in the novel *Endymion*. The "potato cholera," as it was called, made its appearance



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in England in the middle 'forties, but it was not long in crossing over to Ireland. Potatoes had always been her staple crop, and the emigration figures would fall after a good year just as they rose after a bad one. The result of the new outbreak was the great famine of 1847, and between that year and 1854 no less than 1,656,044 Irish sailed for North America. About this time, too, Irish landlords were also linking up small holdings, and between 1849 and 1855 some 50,000 people were turned adrift in consequence.

But it is now necessary to cross the English Channel to the continent of Europe, for the gigantic migrations which have distinguished our own age have a world-wide character. If the reader refers to the charts in the appendix he will see that in the history of American immigration the first twenty years after 1820 constitute a sort of preliminary interval leading up to a series of alternate booms and slumps, four of each, beginning with a boom which covered the late 'forties and early 'fifties. In the preliminary interval our own immigrants were without rivals in the field, but during the first boom the Germans began to run us close. In both cases, however, the increase was marked, and the top of the boom was reached by us in 1852 with 272,740 immigrants, and in 1854 by the Germans with 215,609. In their case the principal cause was the unsettlement left by the Revolution of 1848, and in our own, the Irish famine. Next come some lean years lasting till 1866. Depression and Civil War in America deterred people from going there, and in 1855 the German figures dropped to 72,000. The same causes, no doubt, counteracted any tendency for emigration to increase after the Crimean war. It was the late 'sixties before the next rise began, and it lasted till well into the 'seventies, covering the period of the German wars with Denmark, Austria and France. During it Great Britain and Germany still held the field, and for the Germans restlessness, this time the result of their wars, was again the main stimulus, though there were also other factors. Lee-way had, for instance, to be made up after the American

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Civil War, which had delayed the departure of thousands of would-be emigrants. In the middle 'seventies, however, the United States had another bout of bad times which kept people away till 1879, when the third of the great booms began. This time the causes were almost entirely economic ; in America the return of prosperity, and severe depression both in Germany and in these islands, again largely due in our own case, a Royal Commission thought, to foreign competition. The unsettled conditions left by Italy's long struggle for independence no doubt helped to start both Italian and Austrian emigration, insignificant though it was till 1882, when some 30,000 Italians and nearly the same number of Austrians went to America ; but an outlet had in any case become necessary for Italy, for her population had outgrown its means of subsistence at home. In this same year the United States immigration figures reached the giddy height of nearly 800,000, almost double that of any previous year, though the character of the influx still remained substantially the same. In 1893 there came another period of depression in America, and with it a third slump in the figures which touched bottom in 1896 ; but the end of the 'nineties saw people crossing the Atlantic in greater crowds than ever. The diagram for the next twelve years, indeed, reaches the real Alps of the movement with its crowning peak of over a million and a quarter immigrants in the year 1907.

And it was during this period that the change referred to in the last section of this article commenced, which resulted in the Slav and the Southern Latin taking the place formerly occupied by the Anglo-Saxon and Teuton. It was not that our own people were, like the Germans, ceasing to go abroad. On the contrary, emigration from Great Britain, though it had dropped from over a million and a half between 1871 and 1881 to under 700,000 in the next decade, showed an upward tendency during the last twenty years before the war ; but, as already mentioned, other new countries were becoming increasingly popular.



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The causes of this last great wave into America, which only broke before the shock of war, need, however, a more detailed examination than those which came before it. They were almost entirely economic. An unprecedented industrial expansion was taking place in Europe, accompanied by an immense increase in its population. In Germany, for instance, there were in 1871 only some 40 millions of people, but in June, 1914, the numbers were, Mr. Keynes points out,\* nearly 69 millions. Between 1890 and the war the inhabitants of Austria-Hungary had also increased by ten millions, and in Russia, trifling though her industrial movement was by comparison, and mainly confined to Poland, the population grew from 100 to 150 millions. In England and Wales alone there were 37 million people in 1914, though there were only 32½ millions in 1901, and less than nine millions at the beginning of last century. Expansion of this kind was bound to lead to restlessness, but while all went well, over-population did not figure as a constant cause of emigration, for except in times of depression the industrial activity which had called the population into being also absorbed it. Thus the year before the war Germany lost less than 26,000 people by emigration. The whole system, however, absolutely depended upon a plentiful supply of cheap food and raw materials, and as there was not enough at home, they had to be got from over the sea. In the year 1913 these islands actually imported 70 per cent. of their corn and vegetables and 60 per cent. of their meat. Germany imported 20 per cent. of her whole food supply, and even France had to get 20 per cent. of her grain and vegetables and 60 per cent. of her meat from abroad. The demand for food and materials from across the sea naturally stimulated emigration, and though the supply of emigrants lagged behind the demand, labour-saving devices effectively supplemented it.

But emigrants were wanted for other purposes than the production of food and raw materials for Europe, for the

\* *The Economic Consequences of the Peace.* Macmillan & Co., 1919.

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new countries had not remained content simply to grow such stuff for others. They were quick to start industries of their own wherever an opportunity offered, and they made free use of tariffs to protect them. In 1840 there were, Disraeli told the House of Commons, only some 800,000 manufacturing operatives in the United States, but long before the end of the nineteenth century its industrial development was already colossal, and by the outbreak of war it had become the greatest manufacturing country in the world. To help Europe with a regular supply of food was soon out of the question for America, for what she produced was now required by her own people, and for some time before the war that duty had already been devolving upon the British Dominions and South America.

And, by a curious paradox, it was industrial and not agricultural expansion which brought the "new immigrant" to America. For the very qualities which had kept the Slav, peasant though he was, from taking advantage of the call of the land, made him exactly the man for whom American employers were looking in the last quarter of the nineteenth century. Improvements in machinery enabled them to do without much intelligence or skill, but cheap labour was indispensable. America itself offered too many openings in more attractive fields for either native-born Americans or Anglo-Saxons to accept such work. About this time, too, the steamship companies were on their side beginning to look for fresh reserves to tap for their American emigrant trade—the great German lines were built up upon it and in 1913 carried half the emigrants who crossed the North Atlantic—for the old hunting-grounds were showing signs of coming exhaustion. The East and South of Europe offered an almost virgin field with vast possibilities. Italy was ripe for their plans, and they appealed with equal success to the Slav peasant. The latter had long been kept from emigrating by his ignorance, and even when the attractions of America reached his ears,



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lack of enterprise still held him back. He naturally shrank from crossing the sea which he had never seen, and from the long expensive land journey which had to be made before he reached it. His own Government, moreover, tried to keep him at home for military reasons. Above all, his ways were not those of the West, and even if he had spoken English he would have found it hard to adapt himself to American country conditions in the absence of organised settlements. The employers and the shipowners were quick to see their chance. Slavs were engaged to come straight out to American factories and mines. It meant scrapping their agricultural experience, but for that there was a precedent, as the Irish, who are also peasants, stay in the large centres. Later, in 1885, in deference to Labour, Congress passed a law which made such contracts illegal, but by that time the ball had been set rolling and, once started, its own impetus carried it along, letters home from contented emigrants proving the most effective kind of propaganda. Difficulties in Europe were overcome by organisation, and the attractive reports about the "New World" which were systematically spread by the steamship companies, supplemented the effect produced by private correspondence. As for differences in language and manners, they ceased to matter, for on landing, the immigrant went straight to a colony of his own people, where he lived his old life and spoke his own tongue. He was not the stuff of which Western democracy is made, and his new conditions were not calculated to change him, but his docility suited his employers, who hoped to avoid strikes. And to-day a curious convention makes his position impregnable in unskilled labour, for it is considered beneath the dignity of the native American or the Anglo-Saxon to work by his side as it is for a white man in South Africa to do a Kaffir's job.\* It is no longer a question of wages, for he is now very

\* An American writer, on being asked by a friend of the writer what struck him most in this country, replied: "To hear the navvies talking English."

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well paid. In Canada, too, though much of the unskilled work is done by French Canadians, a good deal of it has fallen into his hands.

To use a military metaphor, the "new immigrant" has won a bridgehead in America of first-class importance. The cost to the country is high, not only on account of the social and political drawbacks, but because the field is restricted for other immigrants, and it is continually necessary to go to Europe to get fresh recruits for unskilled labour. This is the more essential because many of the "new immigrants" return with their savings to Europe; and even when they stay in America their sons acquire the same prejudice, as other Americans, against immigrant work.

Such was the position in 1914. Labourers were wanted in increasing numbers for American employers; and as industrial expansion continued in both worlds the demand for food and materials naturally increased at the same time, and with it the call for emigrants to go to grow what was wanted. In 1914, however, the storm burst, and for over five years emigration from the Old World practically ceased. It is now necessary to consider the extent to which the effects of the storm altered the old conditions.

### IV

**T**WO of the main things which affected emigration the war left untouched—in Europe the need of imported food and raw materials, in America the need of imported labour. Imported food and materials are wanted in the Old World more than ever they were, for the following reasons. In the first place, we have substantially as many mouths to feed as before the war, for its waste, although there were nearly 9,000,000 killed, hardly counts for this particular purpose when the immense size of the population of Europe is taken into account. Such num-



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bers could, indeed, never have been reached but for the elaborate artificial system which used to bind the nations together in a network of commercial and financial bonds. For the unparalleled expansion of trade and industry which it made possible created boundless opportunities of work, while cheap food and raw materials were, as already explained, easily obtained from over the sea. But for the growth of luxury and the rise in the standard of living we might, indeed, to use a colloquialism, have been "even thicker on the ground" than we are. To grow enough at home to support the needs of all these people was beyond our power in 1914; but to-day it is more impossible than ever, for there is greater disorder in the chief agricultural countries of Europe than anywhere else. And although such countries are usually the first to recover, convalescence depends upon conditions which are still far from realisation. Nor are there any short cuts by which our home supply can be made adequate. It is impossible either to switch an industrial population, which is, moreover, needed for other purposes, off its ordinary tasks on to farm work, or by a stroke of the pen to double the local yield by improved methods of agriculture. The agricultural classes were, moreover, more depleted by the war than any others, for industrial employees were kept back in large numbers for munition making, and such aids as fertilisers are both scarce and dear. In any case, much that is needed in our factories cannot be produced at all in Europe.

But although we have been left more dependent than ever upon the new countries for our daily bread and raw materials, the trouble is that we are no longer in a position to pay for them. Our investments of capital in the New World used to entitle us to have a certain amount sent us for nothing; but after the return of peace the only way left to us was to make things to send across the sea in exchange, for the war had eaten up our foreign investments. Here, however, we were at once up against the real problem, for production had to be on a gigantic scale, and this time

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there was no "God in a car" in sight to help us out, as the mechanical revolution did early in the last century. Before the war it was possible, thanks to the economic system which has been described above. But the system itself had a serious weakness. It was entirely dependent upon the continuance of the long period of security without which its elaboration would have been out of the question; a point which was so obvious that before July, 1914, many people had begun to disbelieve in the possibility of war. It was even called "the great illusion." But for all that war came, and it left the system in much the same condition as the Clock Tower at Ypres, and the inhabitants of Europe with few visible means of support.

The reconstruction of the system was, of course, possible, given the necessary conditions, and headway has already been made. Progress varies in different countries. Great Britain and Belgium, and more recently France, have all covered ground, though it is still too early to speak with certainty of the future, as we are only to-day approaching what may be the most difficult period of all. The weaving of the old web is also in train, and since the war milliards have been invested by the Americans alone in buying German marks. Even France and Belgium are said to have put money into German undertakings. But reconstruction called from the outset for unflinching singleness of purpose, and that was just where the war had hit us hardest. For the rich were formerly content to use most of their wealth for further production, and the poor, though often with a bad grace, acquiesced in an order of things which gave them a relatively small share of the proceeds. After the war, however, to quote Mr. Keynes's actual words, "The possibility of consumption was disclosed to all, and the vanity of abstinence to many." The result has been seen in strikes and "tight money." In Russia, indeed, the old landmarks were completely swept away, and in most countries there is deep-rooted instability. Clearly recovery must be slow; and the plight of Europe



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reacts upon prospects in the new countries, for it affects the solvency of their best customers. This will not, however, stop emigration under existing conditions, for hungry people will be content to go wherever they see a chance of feeding themselves.

To pass to the American need of imported labour, after the outbreak of war immigration naturally dwindled to a ghost of its former self, and besides this crowds of workmen left for Europe to fight for their respective countries. For a time huge wages, it is true, attracted a certain number of labourers from outside, but after 1917 this supply fell off too, and American employers have since had to put up with all kinds of makeshifts—Mexicans, women and children for the most part. And even peace brought no improvement, for “new immigrant” workmen took advantage of it to return to Europe, and in spite of high fares, the exodus was only limited by the number of available steamers. Their motive was partly a natural wish to see their relations again and to try what liberty felt like at home, and partly because the condition of the exchange enabled them to purchase an incredible number of lire, krone, or whatever the coinage of their native states happened to be, with the dollars they had saved. This backward current for a time more than neutralised the benefit of any revival of immigration for American employers, and, in the first half of 1919, 4,000 more people left the United States than entered it. The newcomers, moreover, mainly consisted of Jews, women, and types which were of little use for unskilled labour, whereas the men who were leaving had already learnt their work. No doubt many Americans, especially among the working classes, were not sorry to see so many immigrant workmen leaving the country, but business people were seriously concerned; and at the beginning of last year a statement was published by a large number of leading manufacturers and financiers showing the urgent need of immigration to make good the serious shortage of unskilled labour, the demand for which

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was, they said, twice as great as before the war. At the moment America, like this country, is suffering from unemployment, but her dependence upon immigrant labour has, for reasons already explained, become so deep-seated that the demand is sure to be more insistent than ever when more normal conditions return ; for with over half of the world's estimated reserves of high-grade coal and a large proportion of its iron ore and liquid fuel within her own borders, limits can hardly be set to the expansion of her industries. And although her export trade is for the time being adversely affected by our difficulties in Europe, other parts of the world which are less distracted and impoverished will purchase goods. Above all, she has an enormous home market in her own continent.

Immigration in America is, however, further than ever from being a purely economic question. For the old anxiety about assimilation has been largely increased by the war and events in Russia. Feeling against the admission of ex-enemies was, indeed, so strong in 1919 that a Bill was on one occasion introduced into the Senate with the object of keeping them out for a period of 50 years ; and the fear of Bolshevism makes people look more askance than ever at immigrants from Eastern Europe. With so much suspicion, it is not surprising to find all kinds of restrictions. As early as 1917 a literacy test was introduced. The tax on entry, which used to be only 50 cents, has been raised to eight dollars. Passports have to be obtained, and the visa of an American Consul costs ten dollars. The immigrant's expenses in any case are infinitely greater than they used to be, the ticket alone being more than double the old price, and the ruinous exchange enhances every item. Besides this a tedious process of disinfection was made necessary before sailing, and at the port of entry there were innumerable reasons for which an immigrant might be excluded. Thirty more or less distinct classes were, indeed, altogether debarred. The immigrant has to show that he will be able to support



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himself and his belongings. Lastly, the newcomer who was fortunate enough to satisfy all these tests found further obstacles in the shape of housing difficulties.

And yet, in spite of everything, although after the armistice there was practically no American immigration, for the last two years it has been steadily growing. During the twelve months which ended last June there was an immigration of 430,000 persons, or four times the number for the previous year, and according to the Commissioner of Immigration for New York\* the increase during the last six months has been such as to bring the total up to 900,000 for the calendar year. It is estimated by the same authority that a million steerage passengers will have arrived during the present financial year, or about as many as the available ships could carry.

In the United States there is serious alarm at this rapid revival of immigration, for there are reports that millions more are waiting to come. It is true that the number of departures is also still considerable, and 288,135 aliens left the United States last year, as against the 430,000 arrivals. Difficulties of assimilation do not, however, depend upon the surplus of arrivals over departures, but upon the gross number and type of the immigrants who come to the country. Anxiety is, moreover, increased by the prospect of prolonged depression, and a Bill has already passed the Lower House of Congress which would stop all immigration for a time, during which some plan might be devised for its better regulation.

But apart from the need of food on this side of the Atlantic and the demand for immigrant labour on the other, the war has left in its train all the main factors which produced the great migrations of the past. They are affecting not only the sources of the "new immigration," but also countries like Germany, from which people had before 1914 practically ceased to emigrate. According to

\* See the January number of the *Old Colony Magazine*, New York.

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reports in America, indeed, eight millions are ready to leave that country alone. Everything at all events points to an unprecedented and general inclination to emigrate from the Old World, which has hitherto only been kept in check by restrictions, want of means and transport, and more recently by depression in the new countries themselves. There has never been greater restlessness. Tyranny of the old stamp has gone, but a new variety has appeared, and for the ordinary man there is little to choose between Nicholas and Lenin. Hate is as strong as ever ; and Jews have been leaving Poland in thousands.\* Dail Eireann has imposed its ban on Irish emigration, but it has only done so in order to gain strength for the struggle in which it is engaged. War in its active form has for the moment died out on the Continent, but with the embers still smouldering in Eastern Europe, it may at any time blaze up again ; and in the Middle East it seems to have become endemic. As much or more is being spent on armaments than before 1914, and even conscription has not yet disappeared. Taxation is heavier than ever before, both in the victorious and in the defeated countries ; and the cost of living is still a crushing burden, which hostile tariffs and the multiplication of frontiers have made worse in the very districts where co-operation is especially needed to keep the wolf from the door. Some countries, indeed, are on the verge of the abyss, and their misery recalls the days of the Roman Empire, when, in the absence of any New World to go to, suicide seemed the only way of escape from an intolerable present. Even in countries like Great Britain, which have fared better, a fictitious prosperity has now given place to hard times and unemployment. And though for a while our traders and manufacturers had the field largely to themselves, as after

\* Last December, according to a paragraph in *The Times* of October 8, there were 310,000 applications for passports to the United States in that country ; and a commissioner of an American Jewish charitable association, recently returned, considered that the whole of the 3,000,000 Polish Jews would get away if they could.



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Waterloo, the pinch of foreign competition soon made itself felt, and the expected harvest from our reconstructed industries has failed, because the rest of the world cannot buy our goods while the exchange remains in its present condition and the cost of production is so high.

No permanent improvement can, indeed, be looked for anywhere until the vicious circle of unsettlement, idle factories, costly production, dear living, and an unstable exchange is broken. And though Europe will need every ounce of brain and muscle she possesses to complete the task of reconstruction when she gets under weigh, starving people will not wait for that event if there are better prospects abroad. In many countries, too, in which these factors are at work, the labouring classes have long acquired a mobile character highly favourable to emigration. Thousands of Italians formerly used to go and work on railways and mines in Germany, and every harvest there attracted large numbers of Slavs. The "new immigrant" himself has for years been accustomed lightly to come and go between Europe and the New World, and many are, no doubt, at this moment waiting for a chance of returning to North or South America. There are, moreover, other large classes who would in any case take the first opportunity of going abroad: the would-be emigrants, for instance, who during the last six years have only been prevented from carrying out their intention by the war or want of transport; the ex-immigrants, too, who returned during the war to fight, or after it with Utopian hopes, and who are now demobilised or disillusioned. All of these people will also influence others. Lastly, the fact that so many immigrants came to the United States last year is itself significant, for not only were the poorer classes generally debarred by the expense, but the Slav race was practically unrepresented among the 430,000 arrivals. And yet the year before the war Russia and Austria-Hungary alone sent over half a million, or nearly half the total for the twelve months. The birth rate may ultimately

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fall in Russia, as it did in France after the peasants acquired their land, but there is no likelihood of emigration being checked by any such result at the present time ; and if the cost were reduced and the path once more made smooth for Slav emigration, the giant figures of 1907 would soon be dwarfed.

What chance, then, is there of things becoming easier for the emigrant ? The cost of the passage is likely to fall, for it is in the interests of steamship companies to encourage their emigrant trade, especially as freights have dropped. But restrictions and entrance taxes depend upon the attitude of the New World ; and although America will not decide on her policy till her new President enters upon his office, the measures already taken or proposed show a disinclination to allow free immigration to continue.

There are, however, other new countries besides America, and if her doors should be wholly or partially closed, the proportion of emigrants who select them will be immeasurably increased. They are all, except Canada, further from Europe, and in none of them is there an industrial movement capable of absorbing immigrant labour at the American pre-war rate. They are, moreover, at this moment, like the rest of the world, passing through a spell of depression. From the standpoint of immigration they have, however, certain advantages of their own. The development of virgin agricultural resources, which many of them possess in great abundance, is at best a relatively slow process, ill adapted for the absorption of a sudden influx of population on an unusual scale ; but the effect of bad times is less paralysing than it is for industry. South of the line, too, there is summer when the northern hemisphere is largely icebound ; and winter is itself often the best season for immigration. Some of the southern countries are in or near the tropics ; but heat is felt less by " new immigrants " from the south of Europe than by those of the old type. The exchange is often less adverse than in North America ; and if the voyage costs more, there



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have generally been fewer restrictions and entrance fees. In Brazil, where a record influx is expected from Southern Europe and from Germany, land and money have been set aside in anticipation. Nor is the greater distance likely to stop emigration to the Argentine from continuing to increase. A little farther and the solitude of the far Southern Seas will itself be broken. But this brings us to the question of the British Dominions, which requires a section of its own.

### V

TO the Dominions the crisis in the Old World brings a problem of vital importance. Hitherto they have been mainly concerned with the extent to which immigration should be actively stimulated from a particular source or for a particular purpose. To-day the prospect has to be faced of a spontaneous movement of population from the old to the new countries besides which all that have gone before may sink into insignificance. For the political, social and economic causes with which the preceding section showed the great migrations of the past to have been associated, have never before been at work on such a gigantic scale in three continents of the Old World at the same time. The comparatively small exodus which has taken place since the war is deceptive. Nothing is less impressive to the eye or really more significant than the trickle which comes before a dam wall bursts. Movement has only been temporarily paralysed by the very disorganisation which has already begun to compel it. To gauge the force of the flood that has been collecting in so vast a water-shed is, however, a difficult task. The representatives of steamship companies in America estimate, it is said, that 15 million people want to come to the United States. According to the statement in an American review which has already been referred to, Mr. Caminetta, the Com-

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missioner-General of Immigration for the United States, considers that no less than 25 millions are at this moment contemplating emigration from the Old World.

Whatever the figure may be, the line which will be taken by the Dominions can be settled by no one but themselves. The building of their population is in their own hands. In practice their attitude to immigration will naturally from time to time be modified by their own circumstances, and at this moment they are suffering from the general depression. But for a permanent policy there seem to be only two alternatives, the open door for all white races or selection. The first, American experience has shown may mean an overwhelming immigration from the South and East of Europe, and from Asia Minor. The second would limit the influx in such a way as to ensure effective assimilation and in practice mean the continued encouragement of immigration from the old sources, and especially from these islands and the United States. We need not consider the possibility of coloured immigration or of doing without immigration altogether and trusting to the birthrate alone to bring the man-power that is wanted, for the first has been once for all rejected by the Dominions, and the second would involve more time than can safely be counted upon in the present over-crowded state of the world. It took the French Canadian's unrivalled powers of increase more than 300 years to grow from an original stock of 60,000 persons to 3½ millions.

The Dominions are not, of course, all likely to feel the effects of an exodus from Europe to the same extent. They differ in their degree of remoteness and in many other ways. Thus, the number of immigrants that they can immediately absorb is limited in the case of New Zealand by her relatively small size as well as by the density already reached by her population, and in the case of South Africa, notwithstanding her vast territories and the opportunities they offer to settlers with capital, by the presence of a large Kaffir population with a practical monopoly of unskilled



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work which leaves few openings for new comers who lack means or special skill. For these reasons, although their rich and varied resources will continue to attract the old type of emigrant, neither of these countries offers a field for the "new immigration" comparable to Canada or Australia.

It is indeed these two Dominions that the present crisis primarily concerns. For they have boundless space for fresh population, and no permanent obstacles stand in its way. It has been computed that although to-day there are only about 12 million inhabitants in both of them together, they are capable of supporting 200 millions. They are endowed with fuel and mineral wealth as well as with vast tracts of rich virgin soil, and industrial development, which was stimulated by the war, has already made considerable progress. British North America, indeed, will probably some day be one of the great steel exporting countries of the world. Canada, moreover, not only lies in the direct track of emigration from Europe, where her reputation has long been firmly established, but she is also well placed for any overflow from the United States. As for "new immigrants," she has since the beginning of the century already received nearly 600,000, and the fact that their numbers were increasing every year before the war—over 100,000 arrived in 1914—shows the supply to be likely to grow. And although they are mainly employed in unskilled industrial work, the Doukhobar colonies demonstrate the possibility of Slav land settlement. Remoteness and the opportunities America has offered have hitherto kept aliens away from Australia, but her advantages have only to be known to attract them, and her genial climate would be especially grateful to people from the warmer parts of the Old World. Italians have, indeed, already begun to settle in Queensland.

The relative merits of the open door and of selection will be obvious from what has already been said. The Dominions have in the past endeavoured to obtain immigrants with

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agricultural experience, and the "new immigrant" is usually a peasant. They expect a high physical standard, and, thanks to his origin, whatever his shortcomings, in this respect he often excels the old immigrant, who has for many years come largely from the towns. The Dominions, moreover, want numbers for rapid development and defence, and the south and east of Europe can send an apparently inexhaustible supply.

This, however, brings us to the drawbacks, for the danger is not that numbers will not be got, but that they may be such as to swamp the existing populations of the Dominions, and that national character will in consequence be sapped. Canada has the largest population, but the capacity of even seven million people to assimilate newcomers with such different characteristics as the new immigrants bring might soon be outstripped. The anxiety felt on this score even by the United States with its 105 millions has already been described. And when the disparity in the strength of their respective native-born stocks is taken into account, Canada's difficulties in this respect are seen to be, even to-day, almost as great as those of the United States, although the "new immigrant" contributes a far smaller proportion of her total immigration. American experience has, moreover, revealed the difficulty of checking or regulating an immigration which has become necessary for a special type of industry such as unskilled work. French Canadian labour will, no doubt, prevent Canada from even becoming equally dependent, but even in the Dominion there are some signs, if not of the American prejudice against doing immigrant work, of a tendency in that direction which is unknown in Australasia, where the "new immigration" has not yet made its impression felt.

To say that the "new immigration" has grave disadvantages does not of course mean that people from the south and east of Europe are inferior, or that any particular human type has the exclusive key to the working of democracy. The danger arises from essential differences in



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character and outlook. For democratic government, as Mr. Balfour has pointed out, is apt to break down "where, in a community whose boundaries for various reasons remain the unit, there are elements which are not homogeneous, and do not therefore lend themselves to democratic institutions in the only true effective and useful sense of the word." The same "new immigration" which is a source of weakness to the established form of civilisation in new countries with Anglo-Saxon traditions, produces the opposite result in the democratic Latin republics of South America, the bulk of whose people have themselves been drawn from Southern Europe.

On the other hand, the chief drawback of selection has hitherto been the difficulty of getting a sufficient supply of immigrants from the old sources. Great Britain, moreover, before the war had almost ceased to send agriculturists. The policy in consequence involved some self-denial, for the Dominions had to forgo rapid development. This state of things has, however, been completely altered by the effects of the war, which, as has been made clear, are stimulating emigration on a greater scale than ever, not only from the new sources, but from the old, and it will come from the country as well as from the towns.

No one of us can, however, choose our policy without affecting the other nations of the British Commonwealth. There have, for instance, at times been misgivings in Great Britain, for although emigration has never taken any undue proportion of her total natural increase, if only the age category between 18 and 30 is taken into account, the class which has also suffered most in the war, we have lost by it more than we have gained by natural increase. It is, however, now generally recognised that emigration to the Dominions, far from having been a loss, has proved the most permanent of gains, and victory has made it safe to-day to spare a larger number than in the pre-war days. Any gaps will, moreover, soon be filled if our birthrate and deathrate continue to improve as much as they did last year. It



















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should, however, be a cardinal point in our policy to see that those of our people who are determined to go abroad do not settle outside the Empire. And there may be exceptional temptations in that direction, if it is true that there is an unusual disposition in America to welcome British immigration.

Again, it is of vital interest to every one of our five nations that Australia should get the kind of population that she wants. We all sympathise with her resolve to preserve her homogeneity and our common ideals, but the risks of a war to defend the White Australia policy in which it would be incumbent upon every one of us to take part, would be immeasurably increased if she were either to remain without an adequate population, or to lose her internal unity through the admission of incompatible elements.\*

Common counsel is clearly advisable before separate action is decided upon in view of the impending crisis. And an opportunity will occur next June when our Prime Ministers meet in London, accompanied, it is to be hoped, by expert advisers, so that decisions may be come to without the necessity for adjournment or reference to offices thousands of miles away. For the need of a concerted policy is urgent. Other mistakes may be set right, but on those which affect the building of population there is no going back. There is a tide in the affairs of great peoples as in those of men, and if the present occasion is allowed to slip by, next time an Imperial Conference meets it may be too late.

\* An article on the White Australia policy, from an Australian pen appears in this number.



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MANY in this country have been surprised and perturbed at the accumulating evidence which has come to us of French dissatisfaction. What, they ask, is the cause of it? What are the grievances of France? What justification is there for the bitterness often displayed towards us? Surely as we were Allies in war, so we are, and intend to remain, friends in peace. Our respective armies together defeated Germany; each of us recognises with cordial gratitude the assistance it received from the other, and the memory of hardships undergone together is the best guarantee for mutual confidence in the laborious task of working out the details of the peace. Everyone knows that in the political, and still more in the economic and financial settlement, there must be differences of opinion; but each people has its diplomatists and experts; cannot they settle them with one another as business men without endangering the fundamental union which all desire?

If the differences between the two countries were merely on matters of detail, this would be well enough. But if the friendship is to be maintained—and it is in the interests not only of the two peoples, but of the whole of Europe that it should be—we must look facts in the face, and must recognise that there is a real divergence between France and Britain on their views as to post-war Europe.

The British view is, we suppose, that the war and the peace have for all practical purposes—at least for many years—removed the German danger. The defeat of Ger-

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many was so complete, and the terms of peace have been so severe, that we need not fear a Germany aggressive in arms. Deprived of her fleet, of her mercantile navy, of her overseas possessions and interests, with her army disbanded and disarmed, and having lost large and wealthy tracts of territory, she will henceforward not be the menace to her neighbours that she has been since 1900. Therefore, the wisest thing to do is to settle up the remaining differences as quickly as possible.

The future to which British opinion looks is on the whole one which will include a Germany such as we have known in the past, a Germany weakened indeed, weakened by defeat, disillusioned as to the gospel of Prussianism, and standing by a solid middle policy of peace, and rejecting alike the lure of military imperialism or communist chaos—a nation which will within a reasonable period be fit to be a fully qualified member of the League of Nations, and take its part again in international affairs. The restoration of Germany is represented as being in the interests of Europe.

But this issue is one which is not for obvious reasons welcomed by France. Their situation is very different. They regard it with the gravest apprehension. It implies that they may find themselves left alone on the Continent of Europe, face to face with a Germany which will be superior to France in population, in territory, in wealth, and perhaps in organising capacity. Let us remember that what France suffered after 1870 was not merely the loss of Alsace-Lorraine ; it was much more than this. It was the incubus of Germany on her eastern frontier and the consciousness of Germany's preponderance of power. Whatever she did she had to consider whether the veto might not come from across the Rhine. The invasion of 1870 and the loss of Alsace-Lorraine was merely an example of what might happen again if Germany disapproved of what France did. France cannot forget the past, and she cannot bring herself to believe that Germany can change its heart.



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The war was won, and France hoped to be free, free for ever of this incubus. Her hopes have been disappointed. When the Treaty of Versailles was published British opinion tended to think that it was too severe ; a great mass of French opinion criticised it on the ground that it was too lenient. It was considered too lenient because it did not give France those securities which she demanded.

The first thing the Treaty did was to guarantee and perpetuate the unity of Germany ; France would have desired either the complete dissolution of the country, or at any rate a development of the federal system and a weakening of the power of Prussia. In the new Germany unity is more complete than in the old, and the power of Prussia is confirmed.

Secondly, against this new Germany France demanded military guarantees. These would consist first in the occupation of the Rhine ; this was given, but it was to last only for 15 years, and would be withdrawn just when it might be anticipated the danger from Germany was becoming urgent. France was offered the Guarantee Treaties with America and Great Britain ; these have not been ratified, and apparently will not be. There was much talk of the guarantee of the League of Nations, but rather than assent to the only article in the League of Nations which provides any guarantee, America refused to enter the League. There remains disarmament. But the French have always distrusted this, and say you may indeed disarm Germany for the moment, but who will secure us against rearmament in the future ?

We have, then, a large body of opinion in France which has consistently criticised the Treaty on the ground that it is insufficient, and many others who, though they would be prepared to acquiesce in it, still persist in representing it as a very minimum of what could be accepted. Side by side with them we have the advocates of the Treaty, of whom M. Tardieu is the most persistent ; and he week by week reiterates in *l'Illustration*, with occasional interludes

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in the Chamber, that all this criticism is unwarranted. Keep to the Treaty and everything which you require will be found there, but keep to the Treaty and carry it out. The fault, he explains, is not that the Treaty is insufficient, but that ever since the fall of M. Clemenceau the Government of France have shown themselves inexcusably negligent in enforcing it, and he and M. Poincaré have drawn up formidable lists of the clauses which have not been put into effect. These critics point with concern to the proceedings and policy of the Allied Conference. They note that whenever there is referred to that body a serious matter on which Germany had not complied with the Treaty, the result is not immediate insistence and complete enforcement of the terms, but mitigation and postponement. For this they would largely make the British Government responsible. It is easy to do so, and they can be assured of a quick response when they say that they do not understand the position. The Treaty has been signed, it is valid; they expected the support of their Allies in the strict enforcement; why this continuous nibbling at the terms? Why this pusillanimous evasion of responsibility? The ground seems uncertain. From month to month they do not know which of their legal claims will disappear. "Can we not find any Government which will take a firm position, stand up to our Allies, and insist on the enforcement of the promises and engagements which have been made?"

So we have the French, who tell us that the Treaty is the minimum, and, anyhow, it must be carried through and enforced with meticulous rigidity; on the other hand we have the British view that the Treaty, if it errs at all, errs rather towards severity, and that in carrying it out we must show reasonable moderation, and above all, not attempt to enforce provisions which are impracticable or obviously unreasonable. What matters, according to the British view, is the essentials, such as disarmament. If we get them, we can well afford to be even generous about unessential details.



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And perhaps there is a suspicion that when the French ask for uncompromising enforcement they may be pursuing a wrecking policy ; the Treaty has left Germany still a united, self-governing nation ; cannot the Treaty be so worked as to repair this defect in it ? If Germany says she cannot execute certain clauses, that is her affair ; she is bound under the Treaty to do so ; if she is in default, then measures of execution must be taken. These may be the occupation of the Ruhr ; they may be the seizure of the German customs. If the ultimate result is the collapse of the German Government and the dissolution of the German nation, why, it is asked, should we distress ourselves about this ?

Now in most matters the difficulties have by perseverance and mutual concessions been surmounted. The smaller matters have been dealt with by the Council of Ambassadors at Paris, which perhaps does its work all the better that the world hears little of it ; the more important are from time to time brought up for decision at the periodical meetings of the Allies. Among these disarmament is the most prominent. The problem has been a difficult one. It has entailed long, wearisome, and at times acute, controversy, but we have always believed that it would eventually be settled, because there has never been any doubt as to the absolute determination of all the Allies to enforce the fundamental point that Germany should be made incapable of military aggression on any serious scale. This was within the power of the Allies to do ; the principle which they were carrying through has the complete support of public opinion at home, and even the Germans themselves cannot deny the justice of it, supposing always that the disarmament of Germany is eventually followed, as the Treaty indicates it will be, by the disarmament of other countries also. If at times the British Government has shown a more conciliatory spirit on minor matters, the Germans have never been under the illusion that the larger and fundamental things would not be executed to the

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uttermost. The treatment of disarmament at the recent Paris Conference has well illustrated the situation ; there was a clear failure on the part of the Germans in some matters, but it was not of such a nature as to justify the accusation that they were deliberately trying to invalidate the whole Treaty ; further extension of time has therefore been granted them, but with the clear intimation that the complete execution must eventually be exacted.

Very different is it with the question of reparations. No nation has any reason to pride itself on its handling of this matter. It is important to note the cause of the difference. Whatever men and parties may think of the other chapters of the Treaty, whether they seem wise or unwise, just or unjust, at any rate they are the result of honest work, clear in their conception and practicable in their execution. With the reparation chapter it is not so. The reparation proposals were clearly a compromise between practical facts and the political necessities of those who framed them. Criticism of these clauses has been made in previous issues of this review ; we need not repeat them now. It is a fundamental fact that many of those who signed the Treaty knew that the clauses were unworkable, and the Treaty itself provided that the question of remodelling the reparation terms should be discussed between the Germans and the Allies in a period which was subsequently extended until May, 1921, when it was hoped that the national passions would have died down and a reasonable and practical settlement be more possible than it was in 1919.

But the consequences of this method of postponing the issue have, at all events, borne some fruit. British public opinion has become more moderate. It has also gained some realisation of the difficulties of the problem of securing payment abroad. It is therefore probably ready for a settlement which, while making Germany pay to the limit of her capacity, yet is also consonant with the practical limitations which foreign exchange places upon that



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capacity and with the fact that her recovery is essential in the interests of the Allies themselves.

But French public opinion has not been so educated. French statesmen and the French press have so far been unable to educate French public opinion on the facts. The Frenchman sees the terrible devastation of his country; he sees the immense sums (15,000,000,000 francs annually) he has to spend on restoration; he is acutely conscious of the immense deficits in his own budget, and he simply says: "Germany brought this suffering upon us—Germany must pay!"

In consequence British opinion has concentrated on coming to a voluntary agreement with Germany (under the protocol to the Treaty), while French public opinion has concentrated on securing execution of the original clauses of the reparation chapters. The whole history of the negotiations since Paris has been the attempt to bring over French opinion to the idea of a compromise on a fixed sum. We need not now recapitulate the different stages—Limpne, Boulogne, Spa, Brussels. Each step aroused the strongest protests in France; and it was the belief that M. Leygues was giving way too much to the British point of view which was the chief cause of the vote in the Chamber which led to his fall just before the Paris Conference. When the Prime Minister went to Paris it was with the publicly avowed intention of bringing to an end this long and wearisome controversy: he saw, and saw rightly, that it was essential for the welfare of Europe that a conclusion should be reached; the word was finality.

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## THE PARIS MEETING

THERE have been occasions when the world has complained of the secrecy with which negotiations were conducted. This will not apply to Paris ; never has the Press been so well informed as to every detail of the negotiations. While they were carried on on both sides with admirable good feeling, there was no attempt to ignore or obscure fundamental differences, and there were moments of acute and dramatic crisis. Discussion on reparation began by M. Doumer, the new French Minister of Finance, putting forward a scheme ; it was based on the full claim allowed under the Treaty ; the total amount that Germany would have to pay would be ten thousand million pounds in gold. This would be spread over a period of 30 years, which, if necessary, could be prolonged to 42 years, and, with interest, would amount to 600 million sterling in gold every year. The French would insist on payment in gold, and would not accept payment in material.

The proposal was one which obviously could not be accepted or defended ; Mr. Lloyd George easily disposed of it. He pointed out that payments from Germany could only be made ultimately through the superiority of her exports over her imports. Even if it were possible for Germany so to develop her producing capacity over her imports of raw materials as to make such a disparity possible, would the Allies consent to accept such vast quantities of imports, competing with their own industries and causing unemployment, or to see them displacing Allied products in neutral markets. The answer was clearly, " No ! "

The rejection of this scheme nearly led to the collapse of the Conference. The alternative was put before M. Briand. The collapse of the Conference would undoubtedly have brought about his resignation, which would have



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been followed by a Poincaré Ministry, and this might have entailed a definite breach between France and England, while it offered no prospect of getting M. Doumer's figures out of Germany. It was all to the good that matters should have reached a definite issue. M. Briand, as all who knew him would have anticipated, determined that he could not take upon himself this responsibility, and in consequence a very different scheme was eventually put forward and accepted.

This scheme was in effect the Boulogne scheme dressed up in new clothes. Under it the conception of a series of fixed annuities was maintained, so that Germany should know precisely what was the amount for which she was liable. But in place of part of the annuities there was substituted a tax on German exports of twelve per cent. This had the effect of diminishing the payments Germany would have to make in the first years, though it meant that the Allies would get more in the long run if German prosperity increased. On the other hand, it is open to the great objection that interference with internal German policy reintroduced the very element of uncertainty which it was generally sought to remove, and seems to import an element of unfairness by discriminating against German trade in favour of other manufacturing countries, though by diminishing the necessity for an import duty in Allied countries it might provide a compensating advantage.

Leaving this point for the moment, let us now examine the fixed charge. Very serious misapprehensions on this point were created by the manner in which the announcement of the decision was made. The world was at once told that Germany's debt had been fixed at over eleven thousand million pounds; it is not unnatural that expressions of astonishment at the magnitude of this sum were at once heard, and it was still more inevitable that a cry of indignation should be aroused in Germany. It is unfortunate that this was allowed to happen, because it is in fact seriously misleading. It is true, indeed, that if we

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add up all the annuities to be paid during the next 42 years they reach the sum mentioned, but this is not the method in which it ought to be calculated. To ascertain the debt of Germany, it is not the total amount of all the payments, including interest, which she will be required to make, but the present capitalised value of all these payments. If I incur a fine of £1,000, and agree to pay it in 38 years, with interest at 5 per cent. and a sinking fund of 1 per cent., I shall before the period has elapsed have, in fact, paid out considerably over £2,000; but no one would say that my debt was over £2,000. If we wish to pass some judgment upon the fairness of the sum fixed, we must first of all ask ourselves then, as we have said, the present value of these payments.

On this point unfortunately no authoritative statement was issued. The capitalised value of the annuities is said to be about £4,000,000,000, and of the export tax £1,000,000,000, on the assumption that German exports after the war are equal on the average to its exports before the war—a total of about £5,000,000,000.

These conclusions of the Paris Conference were immediately published in the Press. They caused a great outcry in Germany, largely, it would appear, because the exact purport of the scheme was misunderstood, the size of the indemnity being exaggerated in the manner already indicated, and because the scheme was taken to be a final decision, instead of a proposal for discussion. The German Government stated in the Reichstag that the Paris proposals were unacceptable, and announced that it was preparing counter-proposals for submission to the Allies at the conference to be held in London on March 1st. There for the moment the question rests.

An interesting paper by Sir Maurice Hankey, the Secretary of the Cabinet, on the subject of diplomacy by conference follows this article, and attention is drawn to many undoubted advantages in the system. But the above-mentioned points illustrate one of the chief disadvantages



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of the modern methods of conference pursued by the Allies. These periodic meetings are heralded beforehand in the Press, they are held in an atmosphere of public excitement and expectation. They have all the attributes of a great political crisis, they are intimately connected with internal politics. Just for this reason it becomes essential that the parties should come to some kind of agreement ; when there is a real difference it must be glossed over. The negotiation is made much more difficult because every concession is abused as surrender, every refusal as hostility, in the Press of one country or another.

The work of the Council is, indeed, often better than appears. But the question presents itself whether, after all, this is the atmosphere and these are the methods by which these very serious and difficult financial problems should be handled. There are many who will feel that, after all, the older methods of diplomacy had their advantages.

Let us now consider what is the real material issue of the Conference. It will at once appear that though the hopes of finality have not been realised, at least another stage has been reached and real progress has been made. The Allies have, in fact, offered to the Germans as a substitute for the terms of the Treaty a settlement by which their total indebtedness shall be assessed at a sum which—excluding the export charge—is well under £5,000,000,000, this to be payable, with interest at 5 per cent., in annual instalments which will be spread over 42 years. This sum is probably not more than half what the debt would have come to if the procedure of the Treaty had been strictly followed ; it is not half what the French demanded. It is very much less than the lowest estimates that were seriously considered at the Paris Congress. And it is instructive to compare it with the proposals most favourable to Germany put forward by writers such as Mr. Keynes. His estimate of what might justly be

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required was something between £1,600,000,000 and £3,000,000,000. The Germans themselves at Paris offered £5,000,000,000, though without interest and subject to certain conditions.

It would appear, then, that we are at last beginning, if not to find a solution, to get within the range of figures on which serious discussion is possible.

Let us test the fairness of the figures in another way. We have as yet no authoritative statement as to what the total claim for restoration of allied devastated areas will amount to. It will probably be not far off the total indemnity now proposed by the Allies. In that case the present Allied proposal may be less than the amount they could claim from Germany under the narrower interpretation of the Wilson correspondence. Further, the total amount payable to Great Britain, if the indemnity were paid to the full, would be little more than the foreign debt incurred by her to the United States.

There remains the third, and perhaps the most important, of the problems : Are the payments to be made by Germany within the limits of what is likely to be practically feasible ? It is no use demanding a debt, however strong may be the legal and moral basis, if it is entirely beyond the competence of the debtor. This is a topic on which sure guidance is difficult to find. On the one hand, we have the clear principle that ultimately all indemnity paid by Germany must be derived from the excess of exports over imports ; for all external property of Germany, whether in the form of colonial possessions or interests, or in the holding of foreign stock by German nationals, has already been confiscated by the Allies. It is, moreover, justly pointed out that as Germany has now been deprived of nearly the whole of her merchant shipping, freightage will be a charge to her ; she has, in fact, left to her none of the "invisible exports" by which, for instance, in this country the balance of trade is maintained. If we take into consideration also the loss of Alsace-Lorraine, with



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the Briey ironfield and its other wealthy resources, the temporary—perhaps permanent—loss of the Saar Valley coalfield, and the possible loss of at least part of Upper Silesia, it is obvious that all statistics based on the older balance of trade in Germany cease to be of much value. If, indeed, there is to be any balance to the favour of Germany, it will have to be because the German people adopt a standard of living lower than that of the Allies. Here the critic will say: "So they ought!" We may agree: why should not the German working man be deprived of his beer and tobacco in order to pay part of the cost of the war for which his country is responsible? Yes; but who believes that this principle can be maintained for 42 years?

And then, again, we are forced by the dilemma to which Mr. Lloyd George called attention in criticising M. Doumer's proposal. If German indemnity has to be paid out of German exports, it becomes the pecuniary interest of the Allies to encourage German exports; that is, to encourage the Germans by adopting longer hours of labour and a lower standard of life, to underbid British and French manufacturers. Under the agreed proposals there is, indeed, a difference of degree, but the main difficulty remains.

These are only some indications as to the complications of the problem. All we can do at the moment is to await the forthcoming conference with the Germans in the hope that an arrangement will be made under which Germany will pay reparation for the damage she has done to the utmost of her capacity, but yet under conditions which reasonable opinion will recognise to be practicable and just.

## DIPLOMACY BY CONFERENCE

*The following paper was read by its author, Sir Maurice Hankey, G.C.B., the Secretary of the Cabinet, at a meeting of the British Institute of International Affairs on November 2, 1920. A few corrections were made by the author as the result of a discussion which followed the reading of the paper, which is given below in its amended form.*

### INTRODUCTORY.

**I** HAVE been honoured by an invitation from the Institute of International Affairs to read a paper on the subject of "Diplomacy by Conference."

I must preface what I have to say by stating that I speak entirely for myself. Any views I may express carry no sort of official endorsement, direct or indirect.

From the point of view of diplomacy I am not specially qualified to deal with this question, as my personal experience of conducting diplomacy in the old sense is limited. On the other hand, I suppose I have an almost unique experience of Conferences, having attended 488 International meetings since 1914.

My experience, however, is almost entirely limited to that of a secretary, and it is from that angle that I must necessarily approach the subject. In earlier days, when I had more leisure, I used to play a good deal of cricket, occupying the post of wicket-keeper. I have often thought in recent years there is much resemblance between the position of wicket-keeper and that of Secretary. Mistakes by either are apt to prove costly; both have to be prepared for hard knocks, and both see a good deal of the game. My credentials for venturing to address the Institute of International Affairs on this important subject are that I have seen a great deal of the game.



# Diplomacy by Conference

## PART I.

### PRE-WAR DEVELOPMENTS.

**D**EVELOPMENTS of diplomacy by conference during the years immediately before the war need only be touched on very lightly. A certain amount of useful work was accomplished by Hague Conferences, and by technical conferences on such subjects as Motor Car Legislation, Aerial Navigation, Sugar Bounties, Red-Cross Organisation, Quarantine, etc. These had resulted in some valuable international organisations such as The Hague Tribunal, the Postal Telegraph and Wireless Bureaux at Berne, and the Agricultural Bureau at Rome. From time to time also there were conferences of Ambassadors held in London or elsewhere, which dealt with matters of international policy in the Balkans. In this direction Sir Edward Grey was a pioneer in diplomacy by conference. In addition, Sovereigns and Heads of States in their visits of ceremony were often accompanied by their Foreign Ministers, and these occasions were used to hold important diplomatic conversations. Occasionally individual Ministers would pay a visit to a foreign country to discuss questions of policy. We all remember, for example, Lord Haldane's visit to Berlin, which is described in his book *Before the War*.

It is true that in the more distant past some of the great turning points of foreign policy have been reached at great conferences such as those of Vienna, Paris or Berlin, which were attended by heads of Governments. In the years immediately preceding the war, however, the method of conducting international business by direct conference between the principal Ministers concerned was the exception rather than the rule. International Conferences such as those at The Hague were not attended by statesmen of the first rank. If a difficult question arose it was unusual for the responsible Ministers from the countries concerned to meet and discuss the matter face to face. Almost the invariable practice was to deal through intermediaries—skilled, tactful and experienced intermediaries, but not those persons on whom the ultimate responsibility rested.

It was the war which brought about the method of direct and frequent consultation between the principal Ministers concerned, which continues to-day not only between the principal Powers, but to an equal degree between the smaller States, and more especially between those that formed the habit during the war. Properly speaking, therefore, our story begins with the war.

# Pre-War Developments

## *The Committee of Imperial Defence.*

Nevertheless I should like to go back to one development which preceded the war, namely, that of the Committee of Imperial Defence. Strictly speaking, it does not belong to the subject of diplomacy by conference, since the Committee never had any part in our relations with foreign nations. As I shall presently show, however, the constitution of the Committee was so sound in theory, and worked out so well in practice, that British Cabinet Ministers and officials, approaching the difficulties of co-ordination between nations in time of war, even though possibly unconsciously, were influenced by it. I shall therefore ask the permission of the Institute to make a brief reference to this organisation.

The Committee of Imperial Defence was established by Mr. Balfour in its present form with a permanent secretariat in 1904 in accordance with the primary and governing recommendations of Lord Esher's War Office Reconstitution Committee. It consisted then, as now, of the Prime Minister and any other person whom he chose to invite to attend its meetings, and in practice these persons have always included the Heads of the Departments concerned in the subjects on the Agenda paper. The Committee is not an executive body, but consultative. It does not deal with matters that are strictly departmental, but is a co-ordinating body for inter-departmental matters relative to defence. The Secretariat provides an organising centre and permanent facilities for conference and record. So long as these principles have been observed ; so long as the purely advisory character of the Committee has been maintained, and so long as care has been taken not to interfere with the responsibilities of departments, the Committee has proved, as Mr. Asquith, quoting Sir Henry Campbell Bannerman, said in 1912, "a useful and indeed an invaluable addition to our constitutional machinery."

So successful did the Committee prove in the departmental sphere that, during the Imperial Conference of 1911, Mr. Asquith decided to invite the self-governing Dominions to associate themselves actively in its work. "Call us to your Councils," Sir Wilfrid Laurier had cried, and his voice had echoed back from the furthest corners of the Empire. Seven years before, Mr. Balfour, in explaining to the House of Commons the functions of the new Committee, had spoken as follows :—

" . . . and I venture to go further, and to repeat what I have said before—namely, that as time goes on, our Colonies will share our discussions on those aspects of Imperial Defence in which they are specially concerned. I do not venture, indeed, to prophesy what colonial developments may result from the



## Diplomacy by Conference

creation of this Committee, but I cannot doubt that we have already been enabled to lay foundations on which a noble building may yet be erected."

At the historic series of meetings begun on May 26, 1911, Sir Wilfrid Laurier was answered, and Mr. Balfour's prophetic words were realised. Every aspect of our foreign policy was discussed, and a notable scheme of co-operation in Imperial Defence was inaugurated. No one who was present could doubt that these meetings exercised a great influence on the unparalleled display of unity within the British Commonwealth of Nations which astonished the world when the war broke out in August, 1914.

One cannot use the word "diplomacy" in speaking of the relations within the family circle of the British Empire. It is sufficient to record the fact that the method of conference suggested by the Esher Committee and adopted by Mr. Balfour in 1904, with good results in the departmental sphere, proved as efficacious when applied on Mr. Asquith's invitation between the Governments constituting the British Commonwealth of Nations from 1911 onwards.

It would be fascinating to follow the war development of the system first by Mr. Asquith into a War Committee, and later by Mr. Lloyd George into a War Cabinet (which practically brought to an end what used to be called the war on the Downing Street front), and through the Imperial War Cabinet to its latest adaptation, namely, the splendidly successful British Empire Delegation at the Peace Conference in 1919. One is tempted to explore the possibilities of its development to meet the constitutional needs of the Empire in the future, but this would take us too far from our theme, from which we have already deviated. The next step is to show how the same principles were applied *mutatis mutandis* in the development of international intercourse to meet the perils and the overwhelming pressure of war business.

### PART II.

#### THE WAR.

##### *Early Conferences.*

VERY early in the war it was found necessary to supplement the ordinary diplomatic means of communication between Great Britain and France. M. Millerand's visit to London early in 1915, and Mr. Asquith's meeting with M. Millerand, General Joffre and General Foch at Lord French's General Headquarters in June, 1915, will at once be recalled. In the financial sphere Mr. Lloyd George, who was then Chancellor of the Exchequer, at a very early stage got

## The War

into personal contact with the French Minister of Finance, and, when he became Minister of Munitions, with M. Albert Thomas. The British and French Navies and Armies also, at the very beginning of the war, established elaborate systems of liaison. The fact was that from the first the problems presenting themselves to the Allies were too numerous, too varied, too technical, and too urgent to be dealt with solely through the normal diplomatic channels.

Although technical conferences were held much earlier, including an important Conference of Finance Ministers summoned by Mr. Lloyd George in February, 1915, the first meeting of the Heads of Governments did not take place until July 6th, 1915, when Mr. Asquith, accompanied by Mr. Balfour, Lord Kitchener and Lord Crewe, met M. Viviani, the French Prime Minister, M. Delcassé, M. Augagneur, M. Millerand and M. Albert Thomas at Calais. This new departure was resorted to by the two Governments owing to the overwhelming difficulty of concerting their policy, through the ordinary diplomatic channels, when so many factors entered into the situation. Even at that early stage, before the methods of diplomacy by conference had taken shape, good results were achieved, and in a single day's conference more was accomplished to bring about unity of policy than could have been effected in weeks of inter-communication by the ordinary diplomatic methods. This meeting, which was followed by other meetings, was really the first step in the development of diplomacy by conference, which, later on, became so important a factor in the victory of the Allies.

### *The First Constitution.*

The first attempt to provide any definite form and organisation to the Conferences was initiated at an important meeting held in Paris on November 17, 1915, at the end of which it was decided in principle to set up permanent machinery for co-ordinating the efforts of the Allies in the war, and Mr. Asquith undertook to make proposals. Lord Kitchener had for some time been anxious for something of the kind, in fact, at the War Council, as early as January, 1915, he had suggested the idea which culminated later in the formation of the Supreme War Council. An informal interchange of views took place between the two Governments through the medium of liaison officers, and on January 19th, 1916, at a further conference between Mr. Asquith and M. Briand at 10, Downing Street, rules for the establishment of an Allied Committee were approved and initialled by the two Prime Ministers. The Committee was to be advisory in character, and its conclusions were subject to the approval of the Governments concerned. Its composition was to be as elastic as possible. It consisted of the Prime Ministers of any of the Allies and of such members of the Govern-



## Diplomacy by Conference

ments and staffs as were required for the discussion of the subjects brought before it. Whenever possible, the meetings were to be preceded by an interchange of views between the Naval and Military and other Departments of the countries interested. Conclusions were to be formulated after each meeting. Each Government was to nominate a Secretary Liaison Officer, whose function was to act as joint Secretary and to ensure permanent contact between the respective Governments. Except for the fact that Mr. Asquith had proposed a permanent secretariat, the foregoing scheme approximated closely to the draft suggested by the British Government, which was deliberately an adaptation of the machinery of the Committee of Imperial Defence.

The new plan was applied for the first time at a great Conference opened at Paris on March 26th, 1916, at which the Prime Ministers not only of Great Britain and France, but also of Italy, Belgium and Serbia, with representatives of Japan, Russia and Portugal, were present. The meeting of the heads of Governments was preceded by a meeting of the General Staffs of the Allied Armies, whose report was read by General Joffre and approved by the Conference, which also dealt with questions of blockade and shipping. The reference of all important questions to conferences between the heads of the Governments concerned now became an established practice, and regular meetings took place during 1916.

One cannot pass over this period without referring to the death of Lord Kitchener on his way to Russia—a martyr to diplomacy by conference. Mr. Lloyd George was to have accompanied Lord Kitchener, but was prevented by affairs in Ireland, where, after the Dublin outbreak, he had been asked to try to effect a settlement.

I may interpolate here that even the cross-Channel passages involved in these war conferences were not free from a certain element of risk. One night, owing to a misunderstanding about a signal at Calais, the destroyer containing Mr. Asquith and half his Cabinet was kept waiting so long that it drifted into a position from which it had to pass right through a newly laid German minefield. Another time a hospital ship which we had used as a gangway to reach the shore at Boulogne was sunk an hour or two later on the very same course—an unusual one from Dover to Boulogne. On one occasion Calais was bombarded and the Straits raided by destroyers from Zeebrugge and Ostend at the precise moment when, according to programme, we should have been sailing; as it happened, however, Mr. Lloyd George had at the last moment decided to break the journey at Abbeville. Mr. Balfour will pardon me if I recall one exceptionally painful crossing. At the end someone remarked that at least we had escaped the German mines, on which Mr. Balfour chimed in: "A mine was the one thing I was praying for."

## The War

The reasons for which Lord Kitchener's tragic journey had been undertaken remained no less insistent after his death. Russia's huge demands on the resources of the Western Allies for munitions and finance rendered it urgently necessary to send some emissary of the highest rank to that country to arrange for the co-ordination of effort between east and west. Once more the Allies were faced with the fact that the ordinary methods of international intercourse, even though supplemented by an elaborate system of technical liaison, were inadequate. Once more it was found imperatively necessary to establish direct contact between responsible heads of Governments.

At a conference between the British, French, Italian and Russian Governments at Paris on November 15th, 1916, at which the British Government was represented by Mr. Asquith and Mr. Lloyd George, it was agreed that Great Britain, France and Italy should take part in a political and military Conference in Russia, and each Government undertook to nominate representative statesmen and soldiers of the first rank, capable of speaking with authority. So much importance was attached to this mission that Mr. Lloyd George, undeterred by his escape from sharing Lord Kitchener's fate, offered to go to Russia as head of the British Section of the Mission. Events supervened, however, which put this out of the question, for three weeks later Mr. Lloyd George became Prime Minister.

Mr. Lloyd George had always been an enthusiastic advocate of the principle of diplomacy by conference. As early as March, 1915, with a view to a solution of the Balkan problem he had advanced a proposal for holding a great Conference at some place in the Near East, such as Lemnos, which could be reached by the British, French, Russian and Serbian Foreign Ministers in three or four days, and to which even the neutral Balkan States might be induced to send representatives. It is an interesting speculation whether the whole course of the war might not have been changed if it had been possible to carry out this proposal. As might have been expected, therefore, when Mr. Lloyd George became Prime Minister an immense impetus was given to the practice of diplomacy by conference. The summoning of the Prime Ministers of the Dominions and the representatives of India to meet in an Imperial War Cabinet was the first act of his Government, and has already been cited as an application of the principle to Imperial politics.



# Diplomacy by Conference

## *The Rome Conference.*

At Christmas, 1916, that is to say within just over a fortnight of the formation of the new Government, a useful conference took place between the British and French Governments, at which, among other things, the Allied reply to the German Peace Note was drafted. A few days after its conclusion the Prime Minister, accompanied by Lord Milner, Sir William Robertson, Sir Henry Wilson and myself, started for Rome. The journey to Rome with M. Briand, M. Thomas, and General Lyautey, was one incessant Conference, lasting late into the nights. From a secretarial point of view I can testify that a super-heated railway carriage in a train going at express speed is not an ideal conference chamber!

The Rome Conference was the most fruitful which had yet taken place. General Cadorna had left his headquarters to attend the meetings. Sir Francis Elliot had come specially from Athens. General Sarraill and General Milne had been summoned from Salonica, and there was a great assemblage of naval, military and diplomatic experts. The Conference was at first much too large for the transaction of any real business, and secrecy was impossible to secure in so large an assembly. Before long, therefore, the principals adjourned to an inner room at the Consulta, where the formality which had been creeping over the recent larger conferences was cast aside, and the discussions took place in an atmosphere of intimacy and the greatest good humour.

The first resolution was in favour of closer co-operation in the future than in the past, with more frequent conferences. The second related to the forthcoming Conference in Russia. A third recommended the development of a new line of communications with Macedonia through Italy, thus shortening the sea communications, which were so seriously beset by submarines. In addition, a new line of land communication was to be developed from Santi Quaranta to Monastir. General Sarraill's policy towards Greece was laid down, and his relations towards the General Officers Commanding the other Allied Armies in the Balkans were definitely regulated. Naturally, the Italian front came up for consideration both from an offensive and defensive point of view. I am permitted to recall that Mr. Lloyd George, in a memorandum he circulated at this conference, laid the utmost stress on the preparation of an Allied plan, that is to say, something more than an isolated Italian plan for providing against an enemy concentration on the Italian front. He urged that this front would be liable to a concentrated attack in the event of a collapse of the Russian front, an eventuality which he already insisted must be faced. It was largely due to his persistency that plans were prepared in advance to facilitate the rapid transportation of

## The War

British and French divisions to the Italian front ten months later after the disaster at Caporetto. How many allied soldiers and sailors owe their lives to the development of the short sea route to the Balkans it is difficult to say. What is certain is that the decisions of this conference contributed in no small degree both to the Italian recovery after Caporetto and to the final offensive in the Balkans in the autumn of 1918, which was the beginning of the end. By no other means than conference could decisions involving so many naval, military, political, and technical transport considerations have been settled in so short a time as three days.

Almost immediately after this conference the Allied Mission, of which Lord Milner and Sir Henry Wilson were the principal British members, sailed for Russia, and held there a series of conferences during February, covering a prodigious amount of ground. The revolution broke out shortly after its departure from Russia, and the high hopes of real co-operation between east and west which had been based on this essay in diplomacy by conference were never realised. Thereafter events moved too fast in Russia for diplomacy, whether of the old or the new type, to be of avail, and neither Mr. Arthur Henderson nor M. Albert Thomas in their subsequent missions were able to galvanise Russia into becoming an effective Ally.

In the United States of America, however, the system of Diplomacy by Conference was applied in 1917 with the most useful results. In April Mr. Balfour, who was then Foreign Secretary, left on a special mission to Washington, where he not only did much to assist our new Allies to organise their gigantic strength, but left an enduring mark on the relations between the two countries. Among other notable War Missions to the United States must be mentioned those of Lord Northcliffe and Lord Reading. The latter's four missions to America would almost require a chapter in a full history of diplomacy by conference.

During the first ten months of 1917 there were not less than eleven Conferences, apart from the Conferences in Russia and America. They were held wherever was most convenient—in London, Paris, Calais, Boulogne, St. Jean de Maurienne. They dealt with matters of great importance including the spring and summer offensives in 1917; the length of front to be held by the British and French armies; the railway situation; Turkey, Asia-Minor and the Balkans. One notable result was the deposition of King Constantine and the subsequent equipment of the Greek Army.

One of the most interesting in the light of subsequent events was a Conference—almost an informal one—held at Chequers, at a week-end party given by Lord and Lady Lee to celebrate the acceptance by the Government of their munificent offer of this beautiful



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property as the future residence of Prime Ministers. In the memorandum of his gift Lord Lee speaks of "the beneficial effect that the climate and atmosphere of Chequers invariably exercise upon hard-working men of affairs." No better illustration of this, and no happier augury for the future of Lord Lee's idea, could be imagined than the results which followed from this occasion. Among the guests were Mr. Lloyd George, Mr. Balfour, General Smuts, M. Painlevé, the French Prime Minister, M. Franklin Bouillon, and General Foch. Mr. Lloyd George seized the opportunity to open up a proposal he had been maturing with his colleagues, namely, that the meetings between the Heads of Governments should be supplemented by the establishment of a permanent staff of military officers whose sole function would be to study the war as a whole, and to give the Heads of the several Governments their views as to the strategy which should be adopted. He pointed out that the defect of the system hitherto pursued had been that each General was interested mainly in his own front. Consequently, when the Commanders-in-Chief and leading military authorities of the Allies met in conference, they did not draw up a plan in which the war was treated as a whole, but they each approved each other's plans and arranged for a certain amount of coincidence in point of time. In the picturesque phrase he used a month later in his stirring speech in Paris, the Generals merely stitched their plans together—"Stitching is not Strategy." This, however, was not a real co-operation such as was needed to ensure victory. The occasion was not one at which executive decisions could be taken—more particularly as M. Painlevé had had to return to France before the theme had been fully developed—but Mr. Lloyd George's idea took root.

The opportunity for putting it in operation was not long in coming. Less than a month later, that is to say at the end of October, came the news of the disaster sustained by the Italian Army at Caporetto. Mr. Lloyd George did not hesitate a moment. In company with General Smuts, Sir William Robertson, Sir Henry Wilson and myself, he started at once for Italy, and was joined in Paris by M. Painlevé, M. Franklin Bouillon, and General Foch. At Rapallo they were met by M. Orlando, Baron Sonnino, and representatives of the Italian High Command. The plans initiated as the result of the Rome Conference had already been put in operation and further measures were concerted for bringing Allied assistance to Italy. Before we left Italy we were reassured by the appearance of trainloads of stalwarts in khaki and blue.

# The War

## *The Supreme War Council.*

Even more important, however, than the assistance to Italy was the decision at Rapallo to establish the Supreme War Council. In this further development of diplomacy by conference the analogy of our Committee of Imperial Defence was once more closely followed. The Council consisted of Prime Ministers and one colleague apiece, selected according to the subject of discussion. That is to say, the permanent nucleus consisted of Prime Ministers only. It was advisory and prepared recommendations for the decision of the Governments. The constitutional authority of the Governments and the responsibility of the high military commands to those Governments were carefully safeguarded. A council of Military Representatives was set up to act as technical advisers to the Supreme War Council. It was to receive all available information for its assistance. It originally consisted of Generals Foch, Sir Henry Wilson, and Cadorna, and was afterwards joined by the American, General Bliss. A Secretariat was attached to the Military Representatives. The British Section of this Secretariat, organised by Lt.-Col. Lancelot Storr, which was the first to be established, was a branch of our War Cabinet Secretariat, the lineal successor of the Secretariat of the Committee of Imperial Defence.

Thus in the hour of Italy's travail and distress was born an organisation destined to exercise the greatest possible influence on the history of the world. For the remainder of the war, that is to say, during its culminating stages, the whole of the higher strategy and policy of the allies was concerted almost exclusively at the Supreme War Council. Among its most notable meetings there stands out in my memory one held in the stately town hall at Beauvais, shortly after the disaster of March 21, 1918, when unity of command was completed by the installation of General Foch as General-in-Chief of the Allies. A few weeks before at Doullens, where Lord Milner had represented the British Government, he had been appointed to co-ordinate the Allied armies. In private conversation someone asked him at Beauvais "why do you want the *title* of General-in-Chief? He replied, "Je suis M. Foch, très bien connu, mais toujours M. Foch."

Apart from the Conference itself the whole day was a typical incident of diplomacy by conference in war time:—the start at 7 a.m. from Folkestone in a tiny motor patrol boat, the largest craft that could be spared even for a Prime Minister at a time when everything that could float was needed for the transport of reinforcements to France: the motor car journey of 170 miles to and from Beauvais, through roads encumbered with battered and shattered divisions coming down from, and fresh divisions marching



## Diplomacy by Conference

up to, the battle for Amiens : the lads from a Scottish battalion disembarking at Boulogne on our return, looking, in the dim light of the shaded arc lamps, like young school boys : they were the first of the boys of eighteen whom the cruel necessities of war had compelled us to send to the Front : a few days later they were to win imperishable glory on the Messines ridge : the sullen roar of a huge bomb falling in Boulogne as our cockle-shell cleared the harbour—an apt good-night greeting from that stricken land : the cheerless arrival in London at 3 a.m. after a 20 hours' day.

Another meeting which stands out in my memory was one held shortly after in the quiet parlour of the Prefet's house at Abbeville at a time when the British and French armies seemed to be almost threatened with separation ; on this occasion General Foch stoutly and sturdily refused even to admit the possibility of our losing the channel ports. At Abbeville also General Foch's authority was extended to the Italian front and the great decision was taken to give absolute priority to the transportation of American combatant troops and men for the railways.

Many notable resolutions were taken at Versailles including the extension of the offensive to the Turkish theatre and the Balkans and the drawing up of the armistice terms. The decisions taken by the Supreme War Council, however, are too numerous and too varied to admit of summary. It was the most remarkable war development of the system of diplomacy by conference.

The Supreme War Council was not limited to the three Powers which met at Rapallo. Almost from the first the United States of America was represented by a diplomat, who had authority to report what occurred but not to discuss—an ear but not a mouth, I think M. Clemenceau called him—and later Colonel House joined the Council. Representatives of the other Allies were introduced according to the business under discussion as equals with the representatives of the larger States. At one time or another there were present representatives of many of the Allies, besides the Prime Ministers or representatives of our own Dominions and India.

The number of officers and officials who for one reason or another claimed to be present at the Supreme War Council sometimes became too large, having regard to the essential need of secrecy in military plans. It is always a difficulty in international gatherings that, if an expert of one nation is called in for a particular question, the corresponding experts of all the other nations (whether really required or not) enter the room also. Once they have entered, it is difficult to eject them, even when their subject has been dealt with, particularly if they are Cabinet Ministers or officers or officials of high rank. Curiosity detains them. Meanwhile other subjects are raised and fresh troops of experts come in until the room is overcrowded, and any intimacy in discussion becomes impossible.

## The War

It is a real difficulty in all international work which can only be surmounted by very firm handling. At the Supreme War Council the difficulty was met, as it had been met before at Rome and elsewhere, by the Heads of Governments meeting to deal with all the more secret matters in a tiny room to which the indispensable experts were admitted only so long as their presence was required.

### *Development of other Inter-Allied Machinery.*

Apart from the Supreme War Council the inter-allied machinery for conducting diplomacy by conference had by the last year of the war developed very remarkably in many other directions. I have prepared a diagram to show at a glance the organisation at the time of the armistice. (Appendix.) Each branch of the organisation has its own contribution to make to the history of diplomacy by conference, but I have not the time to go into details here beyond mentioning that sea-power and its application, so vital to the victory of the Allies, was exercised by the Allied Naval Council, the Allied Maritime Transport Council and the Blockade Council, all of which very properly had their headquarters in London. It is not too much to say that this organisation covered every sphere of inter-allied activity, and constituted a veritable organ of international government. The various commissions, composed of Cabinet Ministers, might be compared to the Cabinet Ministers in a Government, and the executives working under them to Government departments. The executives had power to deal with all questions in their respective spheres, but if the matters to be dealt with were too important for the permanent representatives on the various executives, they were referred to the commissions on which the Cabinet Ministers sat. If, as sometimes occurred, a question involved matters of the highest policy, it was referred to the Supreme War Council, which had become, as it were, the Cabinet of the Allies.

In the earlier part of the war someone—I think it was General Sarraill—remarked that “after all Napoleon was not so great a General—he only had to deal with coalitions.” In the early stages of the war the coalition undoubtedly involved great loss of energy. At the end, however, this was no longer true. The overwhelming pressure of circumstances, and on at least two occasions the lash of defeat, had compelled the Allies to overcome the inertia which had almost paralysed us at the earlier stages. With much creaking, and after some failures, perseverance, enthusiasm, mutual self-denial and experience had triumphed. By the last months of the war the Allies had achieved unity of command in the economic sphere no less than in the military. In the forcing house of war the governmental machinery of a veritable League of Nations had grown up, whereby the will of the allied peoples to win could be put into effect.



# Diplomacy by Conference

## PART III.

### THE PEACE.

#### *The Peace Conference.*

SUCH was the position when the preliminary Peace Conference opened in Paris in January, 1919. The machinery which had stood the terrible test of war inevitably became the nucleus of the Peace Conference. The Council of Ten, which was the Supreme Council of the Peace Conference, was merely the Supreme War Council under a different name. Sometimes, indeed, when military questions were before it, it met under the old name. It was the Supreme War Council which approved the naval, military and air clauses of the German and Austrian Treaties on the basis of drafts submitted to it by committees of naval, military and air officers, many of whom had been associated during the war, whether on the Allied Naval Council, the Military Council at Versailles, or elsewhere. The International Secretariat of the Supreme War Council was brought up from Versailles and attached to the Secretariat-General of the Peace Conference. In the economic sphere there was a development of the war machinery in order to meet the terrifying situation not only of Central Europe, but of half the world. On February 8th, 1919, a Supreme Economic Council was created, which absorbed most of the economic organisations, and established ramifications all over Europe with a view to the improvement of the disastrous economic conditions then prevalent. In addition there were, of course, other developments to meet the exigencies of the Peace Conference itself. Expert commissions were set up to study the innumerable technical questions with which the Conference had to deal. They covered every aspect of the five great Treaties. It is interesting to recall that for the consideration of certain questions representatives of neutral nations, Denmark, Holland, Luxemburg and Switzerland were heard by the Supreme Council or its commissions. The work of all these bodies focussed in the Supreme Council, which had to deal not only with the peace settlement itself, but also with innumerable questions of the greatest difficulty and perplexity which kept arising in every part of the world and required instant decision.

In February, events in their own countries compelled Mr. Lloyd George and President Wilson to return home. They came back to Paris in March, and for a few more meetings the Council of Ten continued to function. Progress, however, was slow. The Expert Commissions only too often could not agree, and presented two or

## The Peace

more reports. The parties concerned had to be heard again and again. The same difficulty of large numbers as had been encountered at Versailles presented itself. Really intimate discussions became more and more difficult. Above all, a most irritating leakage commenced. The views expressed by members were repeated outside and published often in a perverted and exaggerated form. The members of the Council of Ten were pestered by interested parties to know if this or that "on dit" were true. In all this cackle and intrigue serious business was almost impossible. The transfer of the whole Conference to some quieter spot was seriously considered.

### *The Council of Four.*

Eventually, however, the difficulty was surmounted, as it had been surmounted at home in 1917 and at Versailles in 1918, by the principals withdrawing to a small room. There and then was established the body which came to be known as the Council of Four, composed of President Wilson, Mr. Lloyd George, M. Clemenceau and M. Orlando, and sometimes attended by the representative of Japan. The Council of Ten did not absolutely come to an end, but henceforward it met less often. The principal conclusions of the German Treaty were reached by the Council of Four, but a Council of Foreign Ministers took part of the work off its shoulders.

The Council of Four met usually in the private apartments of President Wilson, but occasionally in those of Mr. Lloyd George or in M. Clemenceau's room at the French War Office. They used to hear the various experts and then to deliberate in private or with the representatives of the States concerned until they reached a decision. For over three weeks they met with only an interpreter (M. Mantoux) and without a secretary. This interval was useful as it freed them from the hordes of officials who had gradually for one reason or another been admitted to the Council of Ten and enabled them to block in the broad lines of the Treaty. For obvious reasons, however, it was not a system that could continue when they came down to detail. Some link between the Council and the Conference then became essential if their conclusions were to be recorded and communicated to the Drafting Committee, etc., for insertion in the Treaty and to the representatives of the nations which were so eagerly awaiting them. Even the marshalling of their business, the assembly of the representatives of the nations concerned and of the necessary experts, and the communication of the conclusions to those who had to act on them were no light task. Consequently, in April I was admitted as Secretary, and I continued in that capacity until the final separation of the Council of Four at the end of June. Some idea of the pressure on these four men may be gathered from



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the fact that the records comprise 206 meetings in 101 days (including 15 Sundays), and occupy ten large foolscap volumes of typescript. No less than 674 conclusions were recorded.

The proceedings of the Council of Four were quite informal and unhampered by rules or written procedure. These four men of wide and varied political experience were free to conduct the business in the best way they could discover. They were able to discuss questions in the greatest intimacy, not only among themselves but with the heads of the States concerned. They all possessed in common the invaluable gift of humour, and many a time have I seen a difficult period tided over by some sparkle of wit or the timely interpolation of a good story. In the intimacy of this small circle personal resources were available which could not be used to the same extent in a larger and more formal gathering. An atmosphere of personal friendship and mutual respect was created in which the thorniest questions, where national or other interests appeared to clash almost irreconcilably, could be adjusted. Looking back and reviewing the proceedings, I am surprised, not at the time taken to complete the German Treaty, which was much criticised at the time, but at the astonishing rapidity with which it was accomplished.

### *The British Empire Delegation.*

Before leaving this phase of the Peace Conference it is important, from a British point of view, to record that the British Empire Delegation, which included the Prime Ministers of all the Dominions and the representatives of India, was in continuous session from the beginning of the Peace Conference to the signature of the German Treaty. By this means the members of the British Delegation were in constant consultation with their colleagues from the British Dominions and India. In addition, the representatives of the Dominions and India were heard by the Council of Ten or by the Council of Four on certain questions where they had special interests and one or other of them was represented on the more important commissions of the Peace Conference, as well as on the secretariats of many of these commissions. The Secretariat of the British Empire Delegation was furnished by officials of the Dominions and India co-operating with Captain Clement Jones of the War Cabinet Secretariat. Contrary to what has been stated elsewhere I can assert with confidence that no important decision was taken by the Peace Conference in which the Dominions and India were not consulted.

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## *Recent Developments.*

After the German Treaty was signed, the Council of Four dispersed, but the Supreme Council continued to meet at Paris until the end of the year for the completion of the Austrian, Bulgarian and Hungarian Treaties. Mr. Balfour and afterwards Sir Eyre Crowe were the British representatives. After January, however, the Supreme Council ceased to meet in permanent session. In so important a matter as the Turkish Treaty, the presence of responsible Ministers was held to be essential, and neither the British nor Italian Governments found it possible to spare Cabinet Ministers to remain in Paris. The Turkish Treaty, therefore, was elaborated in the spring of 1920 at sessions held in London and San Remo, the final touches being added in July at Spa. The Treaty was signed at Sèvres on August 10.

Thus the Supreme Council was engaged on the work of completing the Peace Treaties up to August 1920. In the later stages, however, it had a second function to perform in acting as an organ of consultation between the Governments concerned in matters relating to the execution of those Treaties of Peace which had already been signed and ratified. Before discussing this function it will be convenient to revert for a moment to the establishment of the League of Nations.

## *The League of Nations.*

The Covenant of the League of Nations was drawn up as one of the first acts of the Peace Conference. This instrument goes further than any of the international machinery created during the war. This is shown by comparing the opening words of the preamble with the corresponding passage in the constitution of the Supreme War Council. The preamble begins: "In order to promote international co-operation and to achieve international peace and security *by the acceptance of obligations not to resort to war,*" etc., the said obligations being set forth in the body of the Covenant. The Supreme War Council, on the other hand, was established "*with a view to better co-ordination.*" The Council of the League (Article V.) makes "decisions." The Supreme War Council prepared "*recommendations for the decision of the Governments.*" The war organisation was merely an instrument for diplomacy by conference based throughout on the conception of a number of States concerting their policy in common. The Covenant, though carefully safeguarding the rights and independence of States and affording opportunities for diplomacy by conference, went further and created a deciding body. The Covenant was brought automatically into operation by the ratification of the Treaty of Versailles, and the first meeting of the Council of the League was held on January 16, 1920.



## Diplomacy by Conference

In forming a League of Nations, designed ultimately to embrace all the nations of the world, it was of course essential to include nations which had been neutral in the recent War. One result of this provision was that the enforcement of some parts of the Peace Treaties could not be entrusted to the new League. How, it was asked, could a League, including many States which had been neutral, be expected to enforce Treaties which had been imposed by the victors in the late War? If resort had to be made to force (as actually occurred in the occupation of Frankfort, etc.) the neutrality of these States would have been compromised. This argument was particularly pertinent in the period immediately following the War when the attitude of the ex-enemy Powers towards the Treaties was uncertain and the horrible possibility of a re-opening of the War could not be excluded. Neutral Powers would never have entered a League which might involve them, as principals, in a re-opening of the War.

Hence, the victors in the War had to make their own arrangements to supervise the execution of the Treaties of Peace. A Conference of Ambassadors was set up in Paris in January 1920 as an executive committee for the purpose. Questions which involved high policy beyond the competence of the Conference of Ambassadors were referred to the Governments who met at the Supreme Council to decide them. By far the most important of these Meetings was held at Spa in July when, for the first time, German representatives came into open conference with the Allies. Neutrals in the late war, as we have seen, had already been admitted at Paris. The introduction of an ex-enemy State to the Council within seven months of the ratification of peace suggests how the war machinery might have been developed through the Peace Conference, by a process of evolution, into a League of Nations until it comprised ex-enemy as well as ex-neutral States. I mention this owing to the interesting article on the subject in the September number of the ROUND TABLE.

The questions raised in connection with the execution of the Peace Treaties touch the most vital interests of the nations concerned, such as, the disarmament of Germany, reparations, deliveries of coal and ships, the use of Danzig to Poland and the various plebiscites, to mention only a few. Many of them will cease to arise as the disarmament is completed and the plebiscites are brought to a conclusion. Already, some of the Commissions for the execution of the Peace Treaty have been dissolved. For some time to come, however, problems may arise in connection with some aspects of the execution of the Peace Treaties, for example, reparations and the occupation of the Rhine-lands. The discussions on such critically important questions, which have sometimes involved the possibility of a resort to force, have inevitably drawn

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to the meetings of the Supreme Council the leading statesmen of the Allies. When they have come together they have naturally seized the opportunity to discuss the principal questions in which their countries were concerned. The statesmen of other countries, such as Poland, Greece, etc., have clustered round these assemblages and brought forward their own problems. What has happened, then, is that until quite recently many of the first-class questions have by force of circumstances been dealt with by the Supreme Council rather than by the League of Nations. The Prime Ministers and Foreign Ministers have not been able to spare time to attend meetings of the League as well as of the Supreme Council, which has made a great drain on their time. Consequently, the meetings of the League, though attended by very distinguished men, have not up to the present time (November 1920) secured the presence of those who bear the highest responsibility.

Perhaps this co-existence of the Supreme Council during the infancy of the League of Nations has not been a disadvantage. It has given the Council and the Secretariat-General of the League time to organise its staff, its commissions and the duties allotted by the Covenant and the Peace Treaties, and to prepare for the first meeting of the Assembly, and for the move to permanent headquarters at Geneva. It would have been difficult to make so much progress with these heavy tasks if the League had been inundated with the mass of international business arising immediately out of the War. Moreover the League has escaped the resentment which the ex-enemy Powers might have felt towards it if it had been the instrument for ensuring the more unpopular stipulations of the Peace Treaties, such as disarmament. Thus the entry of the ex-enemy States when the right moment arrives is facilitated. On a long view it may be that the Supreme Council has done the League a good turn by relieving it of the immediate and more disagreeable aftermath of the War. For these early days the Italian proverb was perhaps applicable "*Chi va sano va piano, chi va piano va lontano.*"

Now the League is rapidly expanding its activities. The tenth session of the Council has been held at Brussels. International questions of the first importance, such as the Åland Islands and the Polish-Lithuanian dispute, have been referred to it. The League has undertaken the repatriation of the prisoners from Siberia. The International Labour Bureau is very active and an important Financial Conference has lately been held at Brussels. With the forthcoming meeting of the Assembly the new machine will be running at high-speed. The question has been raised whether the Supreme Council can now disappear. In any event it is doubtful whether the name will endure. It was not used at Spa in the official records except in connection with a few matters, such



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as the reply to the Turkish Note, where the Powers were sitting as the Supreme Council of the Peace Conference. The real question is whether this particular machinery for diplomacy by conference can be dispensed with. Or to state the question more broadly—can the Council of the League of Nations, which is a deciding body of fixed composition, replace the Conferences at which particular groups of Powers meet to determine a common policy on matters of common interest? The point is a controversial one on which I believe French public opinion feels strongly, and I do not want to express any definite views. Apparently, however, something analogous to the Supreme Council must continue unless the League can replace the machinery whereby the States engaged in the recent war can concert their policy in regard to the execution of the Treaties of Peace. Apart from this it is worth noting that there are other tendencies towards a grouping of States independently of the League. In Eastern Europe, for example, the *Little Entente* has recently come into being; the Scandinavian group of countries hold occasional meetings to discuss matters concerning them; the newly-formed Baltic States, including Poland and Finland, have followed their example; and the different States of North, South and Central America have for years held periodical meetings to discuss matters of common interest. There appears nothing inconsistent with the letter or the spirit of the Covenant in the formation of these groups for the conduct of diplomacy by conference. One could even conceive that an eventual grouping of nations within the League might strengthen it by rendering possible a decentralisation of business and a more logical method of electing the Council of the League so as to represent the whole of the nations. These problems, together with that of finding some basis for securing the entry of the United States of America, and, at some future date, of Russia, into the League appear to be eminently suitable for study by the Institute and I shall not explore them further on the present occasion.

Leaving the League of Nations and its problems for those who are better qualified to deal with them I shall, in conclusion, ask the Institute to bear with me a very few minutes longer while I sum up a few personal impressions on the subject of diplomacy by conference.

# Concluding Observations

## PART IV.

### CONCLUDING OBSERVATIONS.

PERHAPS the most important result, which this method of conducting business gives, is the knowledge which responsible statesmen acquire of one another. The earlier Conferences of the war were hampered by a certain formality and reserve. At every successive meeting, however, they became franker and more cordial. By June, 1916, Mr. Asquith was able in all sincerity to extend a warm welcome to M. Briand and members of the French Government as "our colleagues who, in the course of these frequent Conferences, have become our friends." As the war progressed, and as the Conferences became more and more frequent, the degree of intimacy became even greater. Sometimes the whole atmosphere of a Conference has been improved by an informal dinner party, and I have known a knotty problem to be solved by a friendly conversation in a corner at a crowded reception. The social side, which is so important in the psychology of these gatherings, can only get full play on a basis of mutual knowledge and respect and, better still, of friendship.

Lord Beaconsfield would seem to have attached importance to this. In his novel *Endymion*, written after his return from the Conference of Berlin, one of the characters is Baron Sergius, a veteran Continental Statesman of wide experience, into whose mouth Lord Beaconsfield puts many wise words. Among these, the following is of interest :—

"The first requisite," Baron Sergius would say, "in the successful conduct of public affairs is a personal acquaintance with the Statesmen engaged. It is possible that events may not depend now so much as they did a century ago on individual feeling, but, even if prompted by general principles, their application and management are always coloured by the idiosyncrasy of the chief actors. The great advantage which your Lord Roehampton, for example, has over all his colleagues in *la haute politique*, is that he was one of your plenipotentiaries at the Congress of Vienna, etc." (*Endymion*, Chapter VI.)

Real intimacy and friendship contribute materially to the success of diplomacy by conference by rendering possible absolute frankness in discussion. Ministers should be free to explain to their foreign colleagues, if they think fit, without fear of disclosure, all their difficulties, internal and external, public and personal. Such



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candour is much easier of attainment when the number of persons present is limited. Consequently, at certain stages, Conferences can often best be confined to the parties principally concerned. The Council of Four very often found it convenient to meet temporarily as a Council of Three, and there were constant interchanges of views *à deux*. The presence *ex officio* of outsiders who have no particular concern in the question to be discussed is apt to be a disadvantage. It results in set speeches, in which every word has to be weighed. This, of course, does not mean that at the right moment and by mutual agreement, outsiders should not be brought in as arbitrators or mediators.

It follows from the above that at certain stages of Conferences, secrecy may be essential. It is, of course, equally essential that eventually there should be the fullest publicity. The representatives of nations at these Conferences are responsible to their respective peoples, and unless those peoples are properly instructed by the fullest publicity, they will not form a true judgment of the issues. Premature publicity, however, may be fatal. In war the lives of the combatants and the success of the operations may be sacrificed thereby. Even in peace, the settlement of delicate international problems may sometimes be ruined or jeopardised by ill-timed publicity, as instanced by the failure of the Council of Ten in Paris. In these matters those who have to conduct the negotiations must have at least the same right of secrecy as is exercised by a Cabinet, a Board of Directors, or the Executive Committee of a Trade Union.

The Secretariat is of great importance and of great difficulty in diplomacy by conference. Each nation as a rule wants to have its own secretariat. It is, however, very difficult for several foreigners to combine to produce an identical record of a discussion unless they have ample time. At Versailles, the difficulty was surmounted very successfully. The four Secretaries (British, American, French and Italian) were a veritable band of brothers. They were all, or nearly all, bi-lingual. To show how thoroughly cosmopolitan they were, I may mention that in its later stages the British Secretary's name was Major Caccia, and the Italian Secretary's name was Maggiore Jones! After every meeting they used to meet and dictate in turns the notes of the meeting, the speeches originally delivered in French being translated into English and *vice versa*. They afterwards did the recording work of the Council of Ten at the Peace Conference with the greatest distinction and success. It is, however, better to have a single secretary if one can be found who is acceptable to all. The authors of the Covenant did well to establish a single Secretary-General. A really good and discreet *précis* is preferable to stenographic notes. Apart from the difficulties of finding reliable bi-lingual stenographers this tends to greater freedom of discussion. My experience is that the best

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results are achieved if every man speaks in his own language. Very few people can really express themselves properly in a foreign language. Good interpreters, therefore, are essential. It is difficult to over-estimate the value of such men as M. Mantoux or M. Camerlynck, the interpreters to the Supreme Council, who are able to give a faithful interpretation not only of the meaning, but of the precise nuance of every phrase, and who are equally able to translate a short or long speech.

To sum up—my personal experience, for what it is worth, is that the most important elements of success in diplomacy by conference are elasticity of procedure, small numbers, informality, mutual acquaintance and if possible, personal friendship among the principals, a proper perspective between secrecy in deliberation and publicity in results, reliable secretaries and interpreters. The more delicate the subjects, the more essential are these conditions.

It can hardly be doubted that diplomacy by conference has come to stay. It can, of course, be urged that a system which was necessary to meet the tremendous pressure of war business is no longer required in quieter times, and that it would be better to revert to the old system of diplomacy, born in times when distances were great and movement slow and often hazardous. This view leaves out of account the shrinkage of the world and the enormous increase in the volume and complexity of international business. Modern developments in international communications; the increased dependence of nations upon each other's products; the extension of colonies; and the increasing interest of labour organisations in foreign policy, all tend to produce international problems of the greatest difficulty. Their solution frequently requires resources beyond those of the most competent and qualified diplomatist. Such questions can only be settled in Conference by persons who have their hand on the pulse of the political conditions and currents of thought in their respective countries, who have at immediate disposal all the technical knowledge which Governments possess; who know how far they can persuade their fellow countrymen to go in the direction of compromise; and who, insomuch as they have to defend their policy before their respective parliaments, are alone in a position to make real concessions. In former days, when the final responsibility rested with a Sovereign or a Government these matters could be entrusted to an Ambassador. Nowadays, when Governments are really responsible to Parliaments elected on the widest franchise, it is no longer advisable to rely entirely on intermediaries.

This does not mean that the functions or prestige of diplomats are lessened. On the contrary their responsibilities are increased and they require an even wider perspective than in the past to keep them abreast of the times. Conferences only touch the fringe of



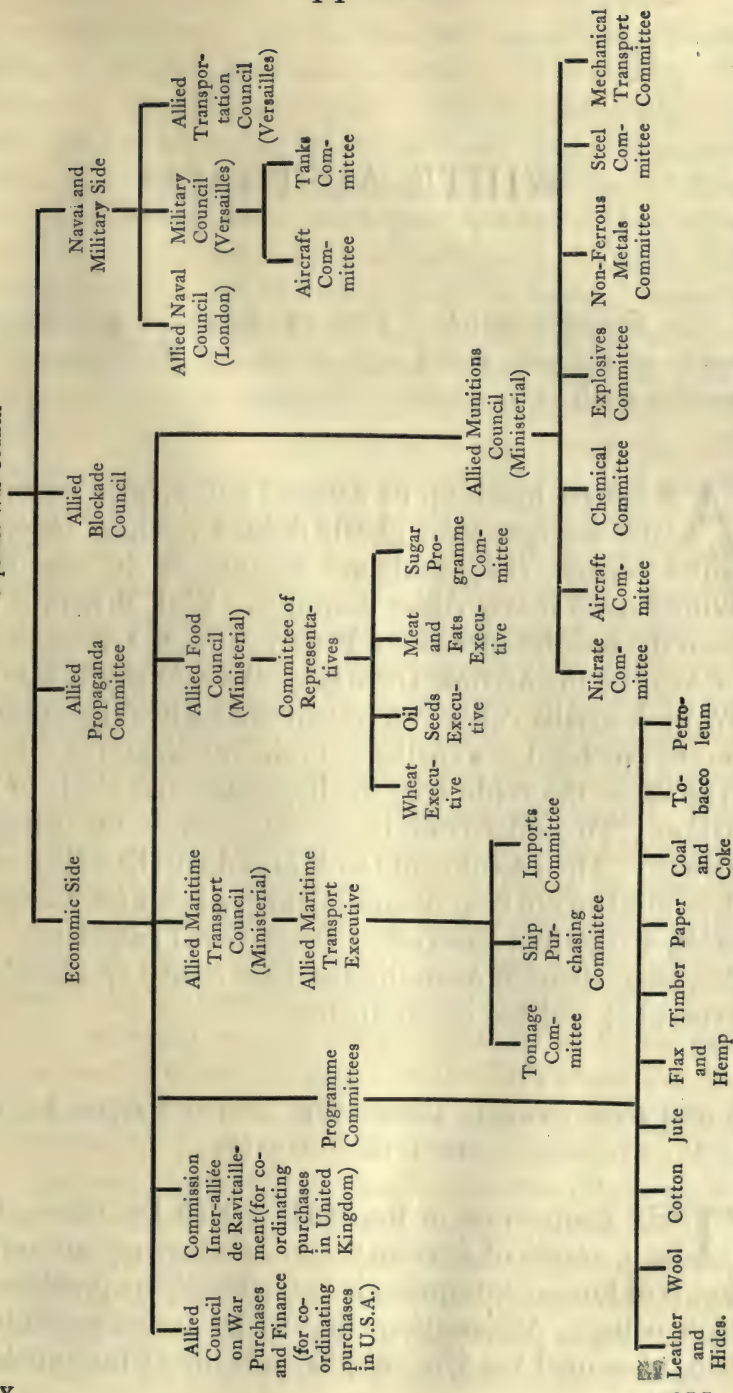
## Diplomacy by Conference

their work, and there is an enormous mass of important intermediate business preceding or arising out of, or independent of Conferences, which the Diplomatic Service is called upon to transact. Moreover, it is more important than ever it was before that Governments should be well informed as to developments and tendencies, in foreign countries. Even during the Conferences the presence of diplomatists, who can advise their chiefs as to local colour, and between the meetings can act as intermediaries, is invaluable. Our own splendid Diplomatic Service has often exemplified this, a notable illustration being Sir Rennell Rodd's and Sir Francis Elliot's helpful participation in the Rome Conference of January 1917.

If the habit of meetings between responsible Ministers of different nations, the moment friction arose, through some organised machinery such as the League of Nations had become the established practice before 1914, when the Archduke was assassinated at Sarajevo, it is possible that the war would not have occurred. Meetings would automatically have taken place. The whole matter would have been probed and ventilated, and the public opinion of the world would have been brought to bear to stop the war. It is possible even that the method of diplomacy by conference might in time have eradicated the more fundamental causes of the war. There may be room for wide differences of opinion about this or that detail of the Covenant, but all opinions would probably unite on the desirability that the leading statesmen of the Powers should meet at least once a year. What the public opinion of the world demands at the present time is that the catastrophe of 1914 shall never be repeated. There is no panacea, but the best hope appears to lie in the judicious development of diplomacy by conference.

# Appendix

## APPENDIX. INTER-ALLIED WAR ORGANISATION, NOVEMBER, 1918. Supreme War Council



NOTE.—The organisation shown here is approximate only. It was in a state of continuous development. There were many links between the various executives which cannot be shown in diagrammatic form.



## WHITE AUSTRALIA

*The following article is from an Australian pen, and the words of the note which appears on the first page of this number apply to its contents.—EDITOR.*

AS a State builds up its national policy, there sooner or later emerges some clearly defined common objective which secures the unanimous support of its members. With France it was Alsace-Lorraine. With Britain it has been the maintenance of Sea Power, with the United States of America the Monroe Doctrine. With Australia it is the White Australia Policy. A watchword such as this operates on the one hand as a challenge to the world, on the other it crystallises the traditions, the hopes and the ideals of the nation. To understand it we must know the national history. The adoption of the White Australia policy—the determination to keep Australia white, a home for European races, is the first exercise of the national conscience, the first generalisation Australia has made from a review of her experience and her circumstances.

### THE CHARACTER AND CONDITIONS OF THE BRITISH SETTLEMENT IN AUSTRALIA

THE contraction of the world, which has taken place as a result of modern scientific discovery and other forms of human enterprise, is changing all the problems of high policy. At one time the insular position of Great Britain secured her immunity from many of the problems

## Conditions of the British Settlement

of national defence. In the twentieth century the United States of America has had to abandon the neutrality prescribed for her by Washington. And Australia—once the most isolated land area in the habitable globe, has come within the orbit of world strategy and in the line of those world movements out of which great wars tend to develop.

It is difficult to realise the solitariness of the Australian continent before the British settlement began. Sparsely populated by a primitive and inarticulate race of savages, its only connection with any other great land area was a string of islands, so long and so broken, that neither the fauna nor the flora of Australia have any connection with those of Asia. The only previous colonisation of Australia took place before the dawn of history. This solitary condition is difficult to explain. Throughout the early ages, Chinese, Malay and Indian navigators must have touched our coasts. But they made no more permanent settlement than did the Dutch and Portuguese sailors of a later age. Words of Dampier perhaps give the clue. "If it were not for the kind of pleasure that comes from the discovery of even the most uninviting parts of the earth, this country of New Holland would not have charmed me much." The fact is, that, in the way in which it was approached, Australia appeared a barren continent. The strip of North-west coast is one of the most enervating in the world owing to the intensity of the humid heat. The wet bulb readings approach the maximum tolerable for human life. Low latitudes generally suggest rank vegetation and rich production, but it is not till we get to the East coast that the tropical jungle appears. The centre of Australia is a land of scanty rainfall, quite unreliable in its incidence. The East coast and the South-east and South-west corner of the continent possess rich soil and enjoy reliable rainfall. Besides these there is a vast hinterland stretching 500 to 600 miles from the East and South-east coasts which has a rainfall of from 10–15 inches, fairly reliable, where the soil is rich and the native grasses nutritive. Such land is



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capable of development under certain conditions. The area of Australia therefore similar in climate and agriculture to Europe, land which could thus be easily and rapidly settled by a European population, is not more than one-fifth.

Australian settlement is obviously a special problem which could only be satisfactorily handled by a race of great capacity and pioneering qualities. This problem is being successfully solved. Six generations of the Australian people have laid the foundation of a great future. The aboriginal inhabitants, scanty as they were, found it necessary to adopt artificial means to limit their numbers and keep within the primitive resources of the land. Now 5,000,000 prosperous souls occupy the territory and produce per head a larger amount than the inhabitants of any other country in the world. This is surely one of the greatest triumphs of the British race. A difficult continent has been brought under the hand of civilised man. A productive economic organisation has been created out of most unpromising material. A land which was passed by as desert has been made to produce wool, meat and corn for the populations of Europe. So far from calling attention to the spaces that remain to be fully occupied the marvel is that so much has been done. Enterprise and intelligence have unlocked rich areas which might have remained hidden for ages. And problems of production are not the only ones that have been handled. Problems of distribution of even greater delicacy and difficulty have been tackled with no small degree of success, and in the political sphere extreme democratic principles have been adopted. The deep social and political problems of the day are being faced with much hope of success. Early Australian poets saw nothing in Australia to impress them but a weird melancholy. But the present generation reinterpreting their impressions after closer intimacy rejoice in rich and spacious beauties. The confident pride of the Australian soldier contrasts sharply with the pessimism of our early writers.

## Conditions of the British Settlement

The Australian of to-day loves his native earth as the Parisian loves Paris.

British opinion at the present day shows a fatalism on the subject of climate and its effect upon the health of white people and their capacity to work which is strange considering how the Empire has been built up in defiance of climate. This capacity to live up to the national tradition in an environment far different from that of the cradle of the race has been one of the distinguishing marks of the Anglo-Saxon pioneer. Forty per cent. of the territory of Australia is within the tropics. But the proportion of this which is affected by the intense humid heat which is so debilitating to the white race, does not amount to more than 100,000 square miles. In the interior, though the heat is intense, it is not at all unhealthy, and Europeans find it most bearable. In this area the pastoral industry flourishes, and gathers from the soil a richer harvest than could be gained from any other method of handling. This industry depends upon skill in breeding and handling stock, and the work could not be done by Asiatics as well or as cheaply as it is done by White Labour. In much of the northern country which shows a heavy rainfall there is a winter drought of six months or more which renders impossible tropical agriculture such as flourishes in Java. The part of Australia, therefore, which is indicated by climatic conditions as more suitable for coloured than white labour is very small indeed. It is open to doubt whether even if the economic aspect alone be considered the development of Australia would have been greatly accelerated by quantities of cheap Asiatic Labour. But if we take other considerations than economic, we find that there are ample compensations for the lack of this cheap labour. Its absence may throw a certain amount of land out of cultivation, but it spares us other difficulties, the difficulty of avoiding veiled slavery, the demoralising effect on the dominant race, the social and political problems involved. From the sanitary point of view the benefits are immense. Medically, Australia is the cleanest



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country in the world. Though so large a part lies in the tropics malaria is rare, and yellow fever has never been known. Visitations from plague have been uncommon. Typhus is unknown, and most of the typical Eastern diseases. This is due undoubtedly to the absence of backward races, which makes an effective quarantine and sanitation possible. The economic value of this immunity from serious disease must be placed very high. As to the effect of climate upon the vigour of the white race, there is no evidence, apparently, of any deterioration in residents of tropical Australia. It is too soon to declare that climate will not produce changes. The effect on women and children will have to be carefully watched. Our scientists are conducting an exhaustive examination into the question, and so far as the evidence has been collated up to the present the verdict seems to be that there is no reason why the race should not maintain its health in the tropical parts of Australia. The evil effects of climate show themselves in disease and social habits. It is reasonable to assume that these can be controlled. The problem is not to fill tropical Australia with races of low economic capacity who have become tolerant of a torrid climate by submitting to its enervating tendencies and living on a low plane of activity, but by Western races who will fight against debilitating influences and apply their constructive genius to solving its special problems. We are only commencing to apply the resources of science to the problems which arise out of climate, and it is not likely that progressive attempts by man to control the forces of nature will be thwarted in this respect.

# The Problem of Australian Security

## THE PROBLEM OF AUSTRALIAN SECURITY

THIS somewhat rapid preliminary examination enables us to realise how unique and exceptional are the conditions under which Australia has developed. This is visible in the character of her growth and her dependence on other countries for the fundamental necessities of her existence. If the protection of Britain with her command of the Seas had not been afforded every stage of her growth would have been different. We would have had to go more slowly, and could have tried no experiments. We would have had to pay at every step for our security. In fact our settlement would have had to be restricted. The nation could not have fully occupied the continent. We would have had alien neighbours against whom we would have had to defend ourselves. As it is we have grown up free from the wearing anxiety which besets most small States. On the other hand, of course we lack the discipline those anxieties would have enforced. We have never exercised full responsibility. We have had no training in diplomacy. We have never had to suffer the full consequences of our own acts. There has thus been no proportion between our objectives and our resources. In the matter of territory this is peculiarly significant. We have occupied an extent of territory we cannot possibly defend from the resources at our command. There is no strategy possible whereby 5,000,000 Australians can protect the 3,000,000 square miles of Australian territory from invasion by a powerful army.

But the settlement of Australia was part of the great race movement which has taken place among Anglo-Saxon peoples during the last 300 years. It came about in obedience to a law which British culture has obeyed for many generations. Australia is a distant outpost of the British race. The British people have never forgotten the



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men they sent to their frontiers. The feeling for the men who have found new paths and broken new soil is inbred in the race. And it is to this feeling that Australia must appeal when the need of protection comes. The security of this outpost where the British race is engaged on its most congenial task—into which it has ventured in characteristic disregard of danger—is an interest of the British people everywhere. If they were deaf to such a call they would be denying the principles upon which they have grown great. Nor is it likely that this venture will turn out less fortunate than the others which have made up the history of the British Commonwealth. Quite apart from its potential resources, Australia is a country which can provide an ideal home for the British people. Its climate and conditions encourage the development to the highest degree of the qualities which are deepest in the British character. It was frequently remarked during the war that Australian soldiers approached a type of manhood reminiscent of the best ages of English history. A group of soldiers wandering along a road on Salisbury Plain suggested the retainers of a Norman noble or the yeoman of Elizabethan England. Australia is 95 per cent. British. It is as pure as any part of the Anglo-Saxon world. Racialism is a strong factor in social evolution to-day, and it is to be hoped that a strong effort will be made to confine the movements of the British people within the Empire. Moreover, the value to British and European races of further space in which they can expand is probably greater than they realise. The present distribution of population, whereby Europe is crowded and dependent on the outer world for most raw materials and many necessities while the outer world remains relatively empty, is unnatural and unlikely to last. The stabilisation of world forces needs a more regular grouping of population around the world's resources. Europe is over-populated, and this embarrasses the settlement of a great number of her social and economic problems. A more intensive

## The Problem of Australian Security

development of the world's surface must follow the lateral development which took place in the eighteenth and nineteenth centuries.

When the War broke out there was no part of the British race which hesitated in its duty. And if Australia were threatened by any external danger there would be no doubt as to the attitude of the people of Great Britain. Up to the present, indeed, the heavily burdened taxpayers of Great Britain have protected the outposts of the Empire in and out of season. But military dangers are relatively easy to see. The more subtle dangers only come within the purview of the military when they are desperate. Democracy, moreover, intensifies the difficulties of conducting high policy. Democratic policy is determined mainly by internal influences. Statesmen must continually keep their minds concentrated upon domestic issues, and it is difficult to discharge their responsibility for the larger issues of foreign policy. Under democracy it is hard enough to secure unity and earnestness within the Commonwealth upon the problems of national defence. It is more than difficult for one democratic State to discharge the responsibility for the policy of another democratic State separately organised. The people of the Dominions have been so insistent upon the recognition of their independent national status that the people of Great Britain, who have always welcomed this tendency, might be excused for feeling absolved from responsibility for their defence. But if the British Commonwealth is worth maintaining, this responsibility must be effectively placed somewhere. The Dominions cannot yet defend themselves; and under the present organisation if the Dominions consider that a certain policy is essential to their safety, their duty is to appeal to and convince the people of Great Britain that this policy is vital to their integrity. Any appeal of the kind would find a sympathetic hearing in Great Britain. But we must realise how immense British burdens are and how difficult it is for her people to appreciate the



## White Australia

problems of a country placed so far away, which are not comparable with any problems of their own. The obligation, therefore, upon us in the Dominions is not only to substantiate our own case and make it an overwhelming one, meeting the special difficulties which tend to prevent Englishmen from appreciating our point of view, but also to do our own part in meeting the danger.

### SECURITY AND PENETRATION

THE matter which enters most deeply into the problems of Australia's security is the White Australia Policy. It is the unanimous opinion of Australians that penetration of coloured races into Australia would very soon lead to a swamping of the Anglo-Saxon element, so that in a short time the British hold on the country would be destroyed just as surely as it would by a military defeat. They have therefore adopted legislation which excludes the labouring classes of coloured races, while in practice not placing any bar on the entry of the small number of coloured merchants, tourists, and students who may wish to come to Australia. This prohibition is not in form directed against coloured races and might exclude the uneducated European, but it falls chiefly on the Asiatic, and the powerful nations of Asia have been roused against us. Against their teeming populations, living in primitive conditions in narrow areas of fertile land—like dams under heavy pressure—the small population of Australia—rich because of immense resources commanded by a few—feels the need of protection. It can only get that protection by convincing the rest of the Empire that the maintenance of its White Australia policy is essential to its existence. The case we make for it must be one which admits of no compromise. We must show that it is vital to the very existence of Australia, that a surrender of this claim would in another way destroy what a successful military attack would destroy. This article is

## Race Standards

an attempt to present the case for a White Australia to the people of the Empire.

The current notion that the White Australia policy is a mere expression of race prejudice based upon conceptions of superiority gives countenance to the idea that the White Australia policy is not vital. But such feelings have only a limited part in the Australian attitude, even in popular sentiment. Actual exhibitions of race prejudice are rare in Australia. Where aliens and men of colour are present there is no discrimination against them. There is little or no feeling for instance against the Japanese. The Chinaman, who once provoked riots, is to a certain extent popular now that he is not regarded as a danger. Feelings of race prejudice are usually developed out of fear, and occur in their extreme form where a small governing race lives in the midst of a large coloured population. The operation of the immigration restriction laws has preserved Australians from the more undesirable phases of race friction. The desire to exclude coloured races is therefore not in any way an assertion of race superiority. It turns almost entirely upon the effect of differences of outlook and culture on the life of a modern democratic community, and their tendency to destroy standards of social conduct which have been built up by generations of common effort in a community which shared common ideals.

### RACE STANDARDS

SCIENCE cannot be said to have arrived at any reliable conclusions as to the superiority or inferiority of races. The bearing of the exhaustive investigation of human measurement is conflicting and uncertain. It is better to assume the unity of the human race and the absence of any inherent superiority or inferiority in any division. The several racial types are variations round a normal human type and express the results of natural mutations preserved



## White Australia

by favourable environment. It is difficult, of course, for the Aryan not to claim superiority over savage races. But the superiority of the European is not so much in his physical or mental outfit as in his culture, in his capacity, partly hereditary, mainly acquired, for assuming onerous duties and great responsibilities in a complicated social organism. The vast co-operative mechanism of European society has lifted human capacity to a higher power. That mechanism requires a certain standard from all its members. It would not work at all if a considerable proportion of its units did not understand its principles or had not acquired the habit of working with it. Individuals taken from differently developed races might with training acquire these habits, but a large penetration of those who had neither the training nor the will to appreciate them would certainly destroy the whole machine. The White Australia question depends upon the right of a civilised society to protect itself from such a danger. Civilisation develops by superseding the more primitive instincts of savage man and developing in their place higher faculties previously latent. It is entitled to maintain the conditions under which these developments are possible. There are two specific points at which this process has taken place which are most material to our main investigation.

### POSITION OF WOMEN

THE first of these is the position of women. To what extent the treatment by a community of its women is due to physical factors is a question. It is one of the distinctive marks of a civilised race that it treats women as ends in themselves, gives them rights and a status of privilege and independence in society. Savage races, on the other hand, treat women mainly as instruments of man's pleasure or as merely assisting his material needs. The slaughter of female children shows this. The treat-

## Position of Women

ment of women improves as civilisation develops, but practically alone the Aryan races give the woman the right to determine her existence in her own way. Out of that discipline which is the main factor in the evolution of modern society they have developed habits of self-control in regard to and conception of duty towards women which are flowers of Aryan culture.

It is of course true that the ideas of Western Europe in relation to women are very imperfectly realised, and there are a considerable proportion in any Western community who relapse into primitive conceptions of these relations which is the more degrading because of the deliberate defiance of noble ideals. This, however, only points to the gravity of the danger which would result from the introduction into a Western community of elements which have no part in these ideals.

The mixture of races, whose ideas of women differ, will generally lead to a breaking down of the moral code on questions of sex upon which so much of our higher civilisation depends. Certain Western nations have resisted this confusing and corrupting influence, notably the Anglo-Saxon. But they have done so by a fierce assertion of their ideals which have led to their being accused of intolerance. This intolerance is really a self-protective instinct exhibited by a race which appreciates and prizes intensely the ideals which have made it what it is. It is displayed chiefly by women, and is to a large extent centred in the objection against mixed marriages. However cruel and mistaken this may be in individual instances, it is a protest against the debasement of that conception of marriage which white women feel to be vital to their dignity and happiness. Racial intermarriage is not objected to as a principle. The races of Europe intermarry because they share the same ideas. But as between certain races there is an instinctive objection to intermarriage, and it will generally be found that this instinct indicates a radical divergence of outlook as to the position of women in marriage. The presence of



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this instinct is one of those obstinate facts of which science and politics must take account, and is the main factor in determining whether a coalescence of races will take place satisfactorily or not. If it does not exist there is no difficulty in the way of the coalition of the two races, and possibly the building of a nation which will exhibit the best qualities of each. But if the instinct is strong, there immediately begins that segregation of the two races with their conflicting ideals and culture which brings all the evils of race conflict in its train. If two races are compelled by nature or circumstances to live together in the same territory, intermarriage becomes almost a duty, for by it alone can the evils of race conflict be averted. But where there is a strong instinct against intermarriage, this is impossible. Such marriages, even if not forbidden by law, are regarded by each section as treacherous. The children of such marriages are looked down upon and discriminated against. They occupy an uncomfortable position in which the advantage of each set of racial ideals seem to be denied to them. This is the main cause of the degradation which seems to be inevitable with half-castes.

## ECONOMIC STANDARDS

ANOTHER problem of a somewhat similar type centres on the economic or industrial capacity of races. European civilisation is built up on a system of wealth production, in which a vast surplus is produced above what is necessary for the mere subsistence of man as an animal. Physically the European may seem puny beside many a savage, but the fact remains that a European community can produce from twenty to fifty times as much as less developed communities. This is due to the vast and complicated economic machinery which has been slowly constructed during the last three or four centuries.

## Economic Standards

During the development of this system suitable types have been bred and unsuitable types eliminated. In very many cases the Asiatic would find it impossible to take any effective part in the complicated industrial machine. Even in physical matters the superiority of the Western European is evident. It has been estimated by a Japanese observer that one unskilled Englishman can accomplish as much work in a day as three Japanese—even with all the advantages possessed by Japanese industry in its modern organisation and machinery. This is due not to mere muscle, but to greater fortitude and endurance, educated intelligence, and the ability to consume and utilise more food. Nevertheless, the acquired superiority of the Western over Yellow and Black races is such that it cannot be rectified in a few years or even a generation.

If the commodity conception of labour be adopted, however, it is always possible to introduce into an economic machine human energy in the shape of less developed human beings, and, if necessary, train them for specialised processes, and they will amply repay the entrepreneur who controls them. It is not that they will produce more than an equivalent number of Europeans. But the margin of their production over their cost may be greater than in the case of a smaller number of European workers. Such a contingency may occur when there is an organised introduction of low-paid labour into the community, and also when there is an organisation within the community of low-paid alien labour which has come there voluntarily. What happens is that labour is introduced which has had no part or share in building up the industrial machine, and which is not capable of contributing to its maintenance. Because it does not pay the cost, it can undersell the labour which has done so.

The introduction of low-paid alien labour into a community which has evolved high industrial standards produces, however, other evils. A community only remains healthy when it does its own manual work. It



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would pay the workers to become gangers and foremen for alien labour, but they would deteriorate in character and physique. Economic domination is the most corrupting form of tyranny, and is more corrupting to the master than the slave. Especially must we guard against the introduction of indentured labour in which the worst of coloured types should be selected and the best excluded. If we became a democracy which existed by the control of imported coolie labour, we would soon deteriorate. If aliens of any kind come into Australia, they must be brought under the industrial laws and treated as the white race is treated. Democracy cannot co-exist with a policy of discrimination. The evils of a poorly paid alien industrial class, however, are becoming better appreciated. In these days of Bolshevism and revolution the capitalist would hesitate about introducing classes who would be the prey of agitators and breeding-grounds of unrest.

## RACE CONFLICT

THE problems surrounding economic capacity and the position of women have been examined because they focus the objection to coloured immigration in the popular mind, and it is usually from one or other of these that race conflict immediately arises. If the matter be further examined it will be seen that these problems are part of a very much larger one. They certainly do not exhaust the conditions which produce race conflict. It is possible for alien individuals to acquire the culture of other races in whose midst they live and live up to the highest ideals. Instances of good Chinese citizens are plentiful in Australia. Yet racial conflict is one of the outstanding facts in the world to-day, and occurs in countries where neither of the factors we have been considering is present.

It is remarkable also that while Europe has become more peaceful during the last hundred years, racial feeling has

## Race Conflict

become more acute. In earlier ages it was possible for an absolute monarch to rule over any number of different races in the same territory. During the nineteenth century the principle of nationality asserted itself to such an extent that it became recognised as the desirable, if not essential, basis of the State. The principle of nationality is strong and enduring. It has established itself in spite of the opposition of statesmen and rulers. Against the centrifugal tendencies of the various nationalities of Austria that State found it difficult to maintain its identity during the war, and in the end was unable to survive the strain. Competing national claims were main causes of the Great War, and the Peace Treaty frankly accepted nationality as the basis of the new map of the world. The difficulty of applying it has been stupendous. Where different nationalities have made definite settlements in one territory, and their homes are interwoven one with another, it is impossible to reduce the tangle. Nobody who had any experience of the difficulties in framing the Peace Treaty along the lines of nationality could deliberately court such dangers where they are not inevitable. The case for avoiding them in the parts of the world which are now being settled is overwhelming. Race movements should be controlled so that the elements moving into a territory are such as are capable of ready amalgamation. The absorptive capacity of new countries is great. In North America, European immigrants appear to be willing to abandon their old loyalty. The American ideal of freedom attracts a new allegiance. Though the mixture even of European races causes trouble, the European elements may fuse in time. The control of immigration, therefore, can be managed on liberal principles, but the line must be drawn somewhere, and drawn firmly.



# White Australia

## RACE CONFLICT AND DEMOCRACY

THE difficulties caused by race friction are so extreme, and to a certain extent so illogical and cruel, that many publicists treat them as a temporary phase that will pass away, or as prejudice which we should resist. It seems to be inconsistent with other ideas which have grown up during the last hundred years, as, for instance, the idea of democracy. It is remarkable, however, that the principle of self-determination is made the basis of the demand for nationality, and self-determination is itself an expression of the underlying principle of democracy. As a matter of fact, insistence on nationality is part of the development of the democratic idea. Although the historical connection is recognised, the undoubted connection in principle is not appreciated. It must be obvious, however, that the desire of a person to choose or determine the laws under which he shall live can only be realised in a community of people who think in common on the subjects which they deem vital. Self-determination is only real in a community which has been provided by common traditions, history, race and language, with a basis of vital conditions upon which there is general agreement, in other words, in a nation. A collection of people fortuitously gathered from various sources could not build up a living modern polity. They could try a series of experiments by patching together ideas selected from those of each different section. It would be generations before it became an effective organic whole. Self-determination means the power to live the social life to which the traditions and instincts of the people concerned predispose it. For that self-determination to be effective there must be in the community a common loyalty to a national ideal. If this ideal is sufficiently attractive, men of alien race will espouse it and devote themselves to it.

## Race Conflict and Democracy

The higher types of society are capable of absorbing large numbers of alien races so long as they come in as individuals. The difficulty arises when they come in parties and, refusing to take on the new loyalty, seek in enclaves to maintain in new surroundings their old ideals. Their own self-determination leads them to spurn the new loyalty and cling to the old. The difficulty is that neither section can live unto itself. Its separate loyalties are not adequate. Each section is constantly brought into touch with the other sections. And, in fact, each seeks to colour the life of the whole community with its own loyalty. The Irish Nationalist will not be satisfied with anything less than the whole of Ireland; the Unionist insists that Ireland shall remain within the Empire.

The difficulty of working democracy when the State consists of two parties deeply divided can easily be realised if we remember the way in which the democratic machinery works. In the development of our own institutions we have made every attempt to secure that they shall be sensitive to the opinion of the people. This is necessary in order that the responsibility of the people for their own government can be properly placed. But it thus brings into higher relief differences which divide the sections. Parliament provides no means for reconciling differences which affect fundamental loyalties. It assumes an agreement on questions affecting the basis of the State. If these do not exist, no equilibrium can be set up. Democratic institutions are not merely instruments of government in the old sense. They form an arena in which social problems can be fought out and settled. Because they do not work smoothly it does not follow that they are not achieving part of their purpose at any rate. They are compatible with great differences in outlook between sections of the community, but not a difference which involves a denial of the basis of the State or its right to call for the service of its members on all points. Each section must have an opportunity to present its point of view, but when that is pre-



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sented each must abide by the result. This is just where racialism comes in. The points for which each race strives seem so important to it that compromise seems treachery. Statesmanship has not found any really effective method of avoiding the evils of race conflict. Cases where two languages exist side by side illustrate some of the problems. The official adoption of one language limits the self-determination of the section which uses the other. It circumscribes their privileges of self-government. Yet bilingualism is unsatisfactory. It seriously impairs efficiency and thus affects the self-determination of both. The same applies to all other racial differences. They tend to polarise the influence of the two sections so that they become habitually and instinctively opposed. Such a condition of things rapidly becomes intolerable—so unsatisfactory that one or other section tries to cut the Gordian knot by establishing complete political superiority over the other. It seeks control of the political machine because only in that way can it be really self-governing.

The result, therefore, of attempts to mix races under modern conditions, especially if they be far apart in culture and history, is to bring about a struggle for dominance which soon becomes the normal state of the community. In such a struggle the whole vicious circle of war methods and war psychology is installed. Leaders intensify causes of hatred to make their followers more earnest. Propaganda obscures the real issues. Immediately a party forges ahead, it uses its power to damage its enemy and still further depress him. Chances of reconciliation will be spurned. It goes without saying that democracy soon becomes a mere name when a conflict of this kind is going on. The members of a community indulging in a fratricidal strife of this kind lose all capacity for democracy. Much of the difficulty in Central Europe to-day is due to the fact that the very capacity for democratic politics has been bred out of the community by generations of racial struggles. Democracy

## Practical Considerations

requires to be based on equality and goodwill. It cannot co-exist with hatred and discrimination.

It is the desire to avoid this race struggle which is at the back of Australia's demand for a White Australia—a struggle in which each side would have right because they would each be struggling to realise the traditions and ideals which represent the best of what the race is capable—a struggle in which neither side can be victorious because by securing the upper hand it will destroy the moral basis of its claims. If a competing race were installed in the Australian continent the whole basis of her social life would be put in issue—the fundamental principles which she has laboriously built up and upon which she intends to erect her future. Irresistibly, fatally, she would be tempted to fight for those ideals, and in fighting for them she would lose them. She is so sparsely populated that a relatively small invasion would seriously embarrass her. On the other hand, she has proceeded along the democratic road much farther than most other countries. Her machinery is much more elaborate and sensitive, her equilibrium more delicate.

### PRACTICAL CONSIDERATIONS

AUSTRALIANS submit their case with some confidence that it will not be rejected by the rest of the Empire. Canada and South Africa have had some practical experience of the troubles which we have so far been able to avoid. Though the insular position of Great Britain has prevented her from suffering in the same way, yet the experience of race conflict in Europe and Ireland and the riots which have taken place at Cardiff, Liverpool and Hull during the last few years must have convinced her people of the realities of these troubles, and the adoption of the White Australia policy as the foremost article in the Australian creed will be approved. But if this be accepted, the formulation of a practical policy, the application of this



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article of faith to the actual conditions of the world, has still to be made. To succeed in doing this we have to make a wide survey which will include the sources from which our ideal is threatened—the points of view of those against whom our policy is directed. We shall also have to reckon with the influences which play a part in directing world policy—the Supreme Council and the League of Nations—and must anticipate the occasions on which the application of the principle will be tested. Finally, we must see that all our efforts are directed to relieving the difficulties due to our scanty population. These matters cannot be reviewed in their entirety in this article. Many of them involve consideration which comes better within another setting.

One difficulty, however, centres on the position of those parts of the Empire which are inhabited by coloured races. The comradeship which has existed during the war constrains us to look at the problem from their point of view, and with sympathy and understanding. The White Australia policy cannot succeed by an injustice to other races, by denying them free development for their national potentialities. But this is involved in the whole of our argument. A race is justified by its mission, its message, the contribution it makes towards culture. These can only be delivered effectively while the national identity is preserved. The part which Eastern races have played in the world, marred as it has been by national and political weakness, has been a noble one. Their future has immense potentialities for them if they focus their efforts by means of coherent national institutions and preserve what is original, fresh and indigenous in their outlook on life. The surest way to lose this is by parting with immense bodies of their subjects to other races and countries as coolies and parasites. Indeed, the indenture system is fast becoming impossible as the Eastern races become conscious of their value as nations. This brings us to the reverse side of our case. The White Australia policy cannot succeed as against nations who are denied their legitimate scope in

# The League of Nations and Racial Equality

the world. Australia's claim for a White Australia is a recognition of the claim of Eastern races for scope to extend their mission for outlets for their overcrowded peoples. This causes problems of great difficulty. Large sections of the Asiatic continent are overcrowded, while the sparsely populated parts are not easy of access. Compensation in Shantung is not the sort of *quid pro quo* which will help Australia in the long run. The situation is complicated by the claims of European capitalists to exploit Asia. Eastern races, moreover, make the worst possible masters over backward races. Yet the vacant spaces of Asia and Africa are as vast as those of Australia, and South America has regions populated by a mixed population which has its national ideals to make. The problem is one which can only be really met by a deliberate planning out of the world in such a way as to give a scope for expansion with protection for the interests which have been built up. What the world needs for the quietening of national fears is some feeling of security for the *status quo*. Some details of our alien exclusion laws which give cause for offence are merely dictated by suspicion or excessive caution. These arouse resentment and produce retaliations. If the principle were once admitted that nations were at liberty to protect their national purity there would be no temptation to insist on matters which irritate the *amour propre* of sensitive nations.

## THE LEAGUE OF NATIONS AND RACIAL EQUALITY

IT was in an atmosphere of mutual distrust and misunderstanding that the treatment of nationals was discussed at Paris. Nobody in Australia would really refuse to grant freedom of intercourse or equal treatment for aliens settled in their country. If they are here they are properly protected and treated. And yet the amendment proposed by the Japanese might mean more. Nobody could tell how it might be used, and the Japanese would give no assurance,



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at least in writing. On the other hand, a resolution affirming the right of a state to resolve upon the type of people whom it would admit as permanent residents and settlers must have secured an almost unanimous vote in Paris. It has always seemed a mistake in diplomacy on the part of Mr. Hughes that he fought the Japanese on the ground chosen by their amendment rather than by proposing this alternative himself. The action taken in Paris was not in its nature final, and there are several matters which will provide opportunities for reopening the case—one of these is the drafting of the mandate. The Australian Prime Minister rightly or wrongly holds that the presence of Eastern races in the islands will increase the difficulty of maintaining a White Australia. He is seeking to apply the Australian alien exclusion policy to the islands. Japan is strongly objecting. Many people who would support the White Australia policy will oppose this extension of it, and the position is somewhat critical. A moment's reflection, however, will show that the arguments which support the White Australia policy also support a corresponding policy to protect the islands from invasion by Asiatic races. The justification of the mandate is that these territories have not advanced to a position where they are capable of protecting themselves from invasion and exploitation. The rôle of the Mandatory is to develop the native races so that they will in time become capable of self-government and able to develop the riches of their own heritage. It is important from this point of view that no third influence shall complicate the relations between the Mandatory and the natives.

The development of the Commonwealth of its own territory, Papua, has been on the very highest lines.\* The interests of the natives have been the main aim. The planter has been welcomed and encouraged because it is felt that one of the main justifications of the British

\* See the section of the Australian article in this number, entitled *The Australian Record in Papua*.

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occupation will be its development of the wealth of the territory. But every effort is made to conserve the interest and freedom of the natives, such efforts leading to much friction and grumbling on the part of the planters. This wise and beneficent policy is very largely due to the distinguished administration of Mr. J. H. P. Murray, who is the true successor of great statesmen of the Pacific like Sir William McGregor and Sir George Grey. Unfortunately the influences which have been raised against him are powerful, and their effect on the Government is not inconsiderable. In the mandate territories it is possible that his type of influence will be excluded and the lands handed over to commercial exploitation. The German estates will probably be expropriated and sold to the highest bidder. It cannot be too strongly urged that any policy which treats the islands as new fields for commercial exploitation directly affects the White Australia policy. Our only ground for excluding other coloured races from the islands is that we intend to handle them solely for the benefit of the native races.

The question should not be beyond the resources of diplomacy. A racial conflict benefits neither race. The admission of coolie labour into Australia would not benefit the countries from which they came. If the countries of the East have a surplus population, it is better that that population should go where they can pioneer on behalf of the parent country. The interest of Eastern races in the exclusion policies of the Dominions lies thus almost entirely in its supposed affront to the national pride. Western races have in the past broken down the exclusive policies of Eastern races and insisted on admission. It has become part of the prerogative of a Western nation that its nationals have free access to all countries. But ideas are changing. In these days no State would for a moment part with its right to exclude undesirable immigrants. Eastern States—Japan more than most—restrict foreigners in all sorts of ways. Western races have never attempted to dump down



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settlers in large numbers in the crowded areas of the East. There seems, therefore, ample room for a policy of reciprocity in which, as the nations contract as equals, there can be no question of *amour propre*. Mutual undertakings could be given as to restriction of immigrants. At present there are arrangements between Australia and Japan, China, India (including Burmah and Ceylon), Egypt, the Philippine Islands, and other countries by which coloured merchants, tourists and students from these countries are admitted to Australia without being subjected to the dictation test. The arrangement with India is a reciprocal one by which Australia, in issuing passports for Australians going to India, imposes restrictions similar to those which India, at our request, has placed on the issue of passports to Indians coming to Australia.

On the other hand, of course, Australia has a great deal to do to maintain her claim on the assistance of the rest of the Empire. She has, for example, a duty to reduce the discrepancy between her population and her territory, which is the cardinal fact of the situation. In this respect some critics have accused her of complete lack of appreciation of her position. It is asserted that by reason of her very low birth-rate and her hostility to immigration she is courting the very danger which she ought to avoid. This criticism possesses an element of truth, but is based upon a misapprehension. The Australian birth-rate, though low according to European standards of twenty years ago, has not fallen so low as in England, France and Germany to-day. But her death-rate is so low that her natural increase is as great as almost any country in the world. It would surprise our critics to know that our rate of natural increase during the five years preceding the war was greater by one-fifth than Japan's; adding our gain by immigration, our population during these years increased at just double Japan's rate. There is a point at which a heavy birth-rate destroys vitality and not only leads to a higher death-rate, but to a lower standard of health. The

## The League of Nations and Racial Equality

wonderfully healthy condition of the Australian people and their relative freedom from great scourges such as phthisis, suggests that the natural increase in Australia approaches the ideal.

There is a similar law in relation to immigration. As remarked above, the transport of large numbers of human beings cannot be accomplished by merely providing shipping accommodation. The population of a settlement cannot be suddenly increased without preparatory organisation. Failure to realise this led to the violent fluctuations which have attended the early stages of most colonies. Shortage of labour has produced rapid immigration; this has led to boom, and disorganisation, and then collapse. Such disasters have checked development for years. There is a definite rate at which a settlement can absorb population. If settlement is forced beyond this point the result will be crisis and loss, which will discredit the proposition and retard settlement later. It may be impossible to determine what this rate is exactly, but it is proportionate to the population to which the addition is made. A large population can absorb immigrants at a much greater rate than a smaller one. In Australia, immigration is the more difficult owing to the special nature of our agricultural problems. It is, of course, absurd to expect immigration to proceed altogether smoothly and without friction and misfits. Booms and depressions almost inevitably accompany immigration; the first settlers often fail to adjust themselves to the needs of the new country; and it is often out of the distress caused by a failure in settlement that the permanent settlement takes place. Australia has undoubtedly been too sensitive to the superficial difficulties of immigration and too little influenced by the urgency of her ultimate problems of population. The problem of settlement of immigrants will have to be handled—faced with earnestness and insight. California has many examples of the successful settlement of large communities on developed areas. It would be possible to lay out and



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improve large tracts of country and then bring immigrants to them in such a way that the maladjustments and embarrassments of the present system would be entirely avoided.

For the rest, Australia must rely on prudent and moderate statesmanship within the Empire so as to back her point of view, not only by statement but by wise action based upon a far-sighted view of our interests and policy. We have been too apt to rely on a crude statement of the White Australia creed without allowing for the different interests of the other parts of the Empire and without calculating the reactions that it might provoke among foreign nations. This lack of diplomatic insight is characteristic of a nation which has had no diplomatic experience. Our appeal has too often been made to the wrong motives. If we rely on *real politik* and appeal to a crude nationalism we shall fail. Our statesmen have too often outraged that body of Liberal opinion in Europe which in the long run is the most influential factor in deciding the great problems which arise between nations. It is because we believe that the case for a White Australia is consistent with the highest idealism that we confidently urge it upon the opinion of the world.

## SOUTH AFRICA AND THE EMPIRE

SINCE the South African article which appears in this number was written the die has been cast. The General Election has been fought, and victory rests with General Smuts.

The relative position of the different parties before and after the event is shown in the following table in parallel columns :—

BEFORE THE ELECTION.				AFTER THE ELECTION.			
Nationalists	..	..	45	South African Party	..	..	78
South African Party	..	..	40	Nationalists	..	..	44
Unionists	..	..	25	Labour	..	..	9
Labour	..	..	21	Independent	..	..	1
Independents	..	..	3				

The South African Party has therefore—even if two seats for which there has been a tie should be won by the Nationalists—a clear majority of twenty-two seats over all other parties. And in this victory, which for the present has ousted the issue of secession, South Africans of British origin have borne no mean part, although the majority of the successful party are Dutch by race. It was not only that our countrymen in many urban constituencies which formerly voted Labour, refusing to be lulled into a false security by assurances that neither the Union nor the Imperial connection were in danger, returned South African Party candidates. The real reason of General Smuts's success was undoubtedly the noble self-effacement of the Unionist Party described in our article, which has



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resulted in the establishment for the first time of a non-racial Government of South Africa. And, as the article points out, no mere union of the South African Party and the Unionists would have been enough. While it remained in being, a great party, which was in the main composed of members of the British race, would always have been suspect to the Dutch, who would never have given an undivided allegiance to a composite Government. As it was, the voluntary absorption of the Unionists disarmed Dutch suspicion beforehand, just as it brought home to British Labour voters the real nature of the issue. And apart from the elections, no more auspicious event could mark the commencement of the reign of the enlarged Party, for the wise generosity of its British members will be remembered by their Dutch colleagues in the same way that the sane patriotism the latter have shown both during the war and since its termination, appeals to the British. Whatever the future may bring, it means much that the dream of a great national party—for the South African Party is now national in a far more real sense than the Nationalists—with its roots in principle and not in race, should at last have been realised. There are people who have found advantages even in party government conducted on racial lines. It at all events, they claim, ensures the keen criticism which is as the breath of life to democratic government; and history shows that the "best" has often been the enemy of the "good." However that may be, nothing is more demoralising than the conditions which have in recent years weakened the efforts of the progressive elements in both the Government and the Unionist Parties. Racial considerations could not be disregarded in the counsels of the former, while the Unionists were deprived of even the rôle of effective opposition, for they had sometimes to refrain from opposing domestic proposals of which they disapproved, lest the defeat of the Government in power should leave the helm at the mercy of the sworn enemies of the Empire to which they belonged,

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and lead to the dissolution of the Union on which the welfare of their country depends.

Most readers who have lived under a party system—even one in which there is no racial cleavage—will remember political occasions when a kind of faith unfaithful has perforce made them falsely true to their party ties; but where racial considerations are present this sort of strain is necessarily infinitely greater. It is idle to suppose that “race” will no longer count, even in the South African Party as it is to-day. It will not, however, be able to paralyse progressive tendencies with the force of a Freudian complex. The enlarged South African Party, moreover, not only brings together the two great European races, it also unites the town and the country, which have hitherto always been in opposite, or at all events in separate, camps. For the first time in South African history the representatives of the Rand and of the Veld will lie down together in the same fold.

Certainly the curtain lifts to-day upon a bright prospect. It is, however, only children's tales that end with marriage. In real life, especially in political life, everything does not always go on happily ever afterwards when such unions are effected, and the danger to our Commonwealth of Nations has not ended with General Smuts's victory, any more than it did with the Armistice in 1918. The figures that proclaim it are brilliant, but when looked into the bulk of the gains are seen to have been from Labour, and not from the Nationalists. The latter are relatively weaker, but numerically, especially in the Free State, they remain the solid phalanx that they were before. It may be that in the future, as in the past, they will continue to be a disintegrating force to which the elements of discontent will always rally.

Still, the hope is justified that now that South Africa has spoken with no uncertain voice the verdict will be accepted once for all. There are domestic problems to be solved, notably the native question, which call for all the energy that South Africans, whatever their racial origin,



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possess ; and patriotism, of which no race or party has a monopoly, will work strongly against disruptionist tendencies, especially when the tumult left by the war finally subsides. For with the return of poise it will be realised by all South Africans without distinction that their national life can be developed more fully and more certainly inside our Commonwealth of Nations than outside it.

And if perilous seas still face us, even though the cape of storms has been safely rounded, there is another reason for confidence in the future. It is in times of stress that great men make their appearance, and hitherto we have rarely looked for them in vain. General Botha has now gone the way of Cecil Rhodes. But although nothing can make up for such a loss, the helm has passed to a pilot trained at his side, whose skill and temper have been tested in crises to which history can show no parallel. General Smuts has not only won a great name in the councils of the Allies, both in war and in peace, but he has shown gifts of exceptional decision and statesmanship in guiding the destinies of his own country. He saw clearly the path which its higher interests required, and without hesitation or wavering he took it. And, as his own words show—they are quoted in our South African article, which should be widely read and studied—it lies within the Commonwealth. His ideal has been proclaimed once for all, and it is South Africa a nation, not South Africa a republic. He knows, too, that separation would be a retrograde step, inconsistent with progress towards that world-wide co-operation for which he has personally done so much to prepare the way.

But perhaps the brightest spot in the picture is that General Smuts himself, like General Botha, does not belong to the British race at all. For as long as a system rests upon principles which find their doughtiest champions among its former foes, it can bid defiance to both the winds and the waves.

## UNITED KINGDOM

### UNEMPLOYMENT AND THE INDUSTRIAL SITUATION

#### INTRODUCTORY

SINCE the last number of *THE ROUND TABLE* went to press a remarkable change has come over the industrial situation in the United Kingdom. The depression in trade, of which the first signs appeared in the late summer, has deepened into stagnation, and we have seen a rapid extension of unemployment and short-time working. The number of persons on the live registers of the Employment Exchanges rose from 520,000 at the end of November to 748,000 on December 31, 927,000 on January 14, and 1,060,000 at the end of that month. In addition, 450,000 workpeople were registered at the end of 1920 as working systematic short time. The returns made to the Ministry of Labour by a number of trade unions, mostly of skilled workers, show that the percentage of unemployment amongst their members rose steadily from 0·9 in April to 1·6 in August, and then much more rapidly to 6·1 in December. Startling though these figures may be, they are not the worst in the long record of unemployment. These same trade unions returned a higher percentage of unemployed members in the month of December in 1903, 1904, 1908 and 1909 than in 1920. Yet the country survived: industry even before the war entered on a season of prosperity. By every pre-



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cedent the very intensity of the present gloom should be the surest warranty of an early revival. But precedents have lost their vogue and statistics their power to breed optimism. If men take a graver view of unemployment in British industry in 1921 than at any earlier period within their experience, it is because they feel less confidence in their calculations both of the human factors and of the external and impersonal elements of the situation. Will Labour submit, as in the past it has always submitted, to the iron laws of political economy? Even if it does, is there any escape from the financial and industrial chaos into which the war has thrown half the world?

It is not difficult to see why such questions are being asked. The cessation of demand and the depression in industry follow a period of unique prosperity. After the fitful fever of the war came eighteen months spent in a vain struggle to keep pace with the world's needs. Prices rose, but no price seemed high enough to deter the buyer. Manufactured goods of all kinds were absorbed as readily as though they had been flung into a bottomless pit. Men lost the habit of unemployment, perhaps the temper to endure it. Certainly there were few to warn them of rocks ahead. Politicians, employers, leaders of Labour united in what the future historian will regard as a wild and universal conspiracy of optimism. We had won the war, and with it the key of a new world. The bad old days of German dumping, of unemployment and starvation were gone for ever: peace and plenty reigned in their stead. The nation was to be housed, clothed and educated as it deserved. British industry, aroused at last from a long slumber, would turn to new methods, a more modern organisation, a more scientific technique, and, like a giant refreshed, would conquer the world. This vision of post-war England may now appear fantastic, but it gripped the popular mind because it responded to aspirations deep-rooted in human nature. On this scene of industrial activity and extravagant hopes unemployment has fallen like night in the tropics.

## Introductory

The demand, not merely in one industry but in a hundred, has not so much dwindled away as abruptly ceased. It is as though the great engine of the world's trade had suddenly lost the flywheel in which its normal inertia was stored. The disillusionment of the ordinary man is profound and deprives him of much of his power to face harsh realities. The old habits of thought may reassert themselves; common sense, if you like, may prevail; but there is always a danger that those who are flung out of Utopia by one door will seek to force another.

But these psychological doubts are not the only grounds of uncertainty. The economic disturbance is not limited to this country. It is world-wide. That Russian industry is moribund or that most of the population of Vienna is unemployed will surprise no one. But the United States, the one country in the world which seemed to have emerged from the war wealthier and more powerful than before, is passing through every phase of the crisis in which Great Britain is involved. It has, or has had very recently, three million unemployed. Great works such as those of the Ford Company have been completely shut down. From South America, the Far East, India, the British Dominions comes the same story of financial stringency, industrial depression, difficulties of exchange. Never before has the economic interdependence of the countries of the world been so apparent. Never has it been necessary, in estimating the probable duration of a crisis, to have regard to so many complex financial and economic factors. All this tends to increase uncertainty. It is generally recognised that complete recovery in any country is impossible as long as the economic life of Europe is broken and disorganised. But no effort by any one nation can restore Europe. International financiers may agree in conference on sound principles of public finance. It does not follow that those principles will be adopted. When the malady is universal, any one country must be relatively powerless even to effect its own cure; and to suffer from a disease for which the



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remedy lies in part in the highly problematic actions of others is not unlikely to breed despair.

Perhaps the greatest service which we can perform at the moment is to attempt to diagnose the causes of unemployment in the industries of this country and to describe the means which have been adopted or suggested for coping with it. Any light which can be thrown on one aspect of a problem that knows no territorial limits may help to illuminate it as a whole. If the facts are unpleasant it is no use burking them : and as the reality has not so far corresponded to the ideas commonly held until recently as to the immediate possibilities of social and industrial reconstruction, it may be worth while trying to find out why.

### I. SOME CAUSES OF UNEMPLOYMENT IN THE UNITED KINGDOM

THERE is no one simple and sufficient explanation of the paralysis which has come over British industry. Many causes have been operative, acting not always with the same relative intensity. They can best be studied through their effects in the principal industries of the country ; and we propose, therefore, to make a rapid survey of the textile, coal, iron and steel, shipbuilding, and engineering industries. It will help to clear the ground if we preface this enquiry into particular facts by one or two more general observations.

After the Armistice the country embarked, full of enthusiasm and energy, on a programme of industrial reconstruction. It was apparent that there would be an exceptional demand, both in the home and foreign markets, for the products of peace. Manufacturers everywhere were anxious to benefit by their experience during the war, to eradicate old weaknesses in organisation and methods, to take full advantage of extended and modernised plant. Mass production, after four years of munitions specialisa-

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tion, had become a fetish. For its success mass production depends on the ability to sell a particular product at a price which will create and maintain the demand. It envisages for each product a definite zone of consumers. Every increase in the price must narrow the zone by reducing the number of possible purchasers. This, in effect, has been the experience of many British manufacturers in the last two years. Reorganisation on a peace basis was found to be a much slower process than had been supposed. Its intrinsic difficulties had been under-estimated; it was hampered by strikes, by the deficiency of imported raw materials, by congestion at the ports and on the railways, by the temporary dislocation which followed business amalgamations and re-groupings in themselves generally desirable and economically sound. While production was delayed on these grounds the cost of wages and material steadily advanced, until in the end many articles were driven from the zone in which they were intended to be sold into another where their market was limited, or, in the extreme case, where they became unsaleable.

There is another aspect of this matter. The enlargement of the manufacturing capacity of the country during the war was not a balanced and proportionate extension spread over industry as a whole. It took place for the most part along narrow lines. Much of the new plant could be adapted in time of peace only for a limited range of products. It had been put up with the help of the State, and taken over on favourable terms, with a great part of its capital value written off out of war profits. There would have been an obvious incentive to make the fullest use of plant so acquired even in a world where confidence in the future was less indiscriminate. As it was, many industries were developed or expanded not primarily because there was a demand for their products, but owing to the existence of plant suited to the manufacture of those products and to little else. This tendency was by no means confined to the United Kingdom. One



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of the most striking examples of its influence is the motor-car industry, more particularly the manufacture of motor-cars by mass production methods. It is clear to-day that the world's capacity for producing motor-cars now exceeds the possible world demand even in times of normal prosperity. In America, in this country, and on the Continent there has been an even more remarkable expansion of the motor tyre industry. New plants have been erected, new cotton mills have been built, and old mills re-equipped and turned over from their natural product to the service of the motor-tyre manufacturer, until it is doubtful whether the world could absorb the possible output of tyres even if every manufacturer of motor-cars were working full time. In another sphere altogether, it appears that the English production of optical glass—an innovation due to the war—exceeds the pre-war output of the whole world by 50 per cent. Instances of this kind could readily be multiplied.

A vital factor of another order has been the loss of foreign markets. The war has been far more effective than Napoleon and his blockade ever were in excluding British trade from Europe. The last two years have seen a progressive depreciation of almost all Continental currencies relative to sterling. We are not here primarily concerned with the reasons for this collapse of the exchanges; it is only necessary to record the fact that with the franc at 55, lira at 100, the Austrian crown at 1,500, and Roumanian lei at 250 to the £, British exports to those countries must cease altogether or, at the best, be confined to those few indispensable articles which cannot be obtained elsewhere. The loss of the European market is, we must assume, only temporary. If political conditions can be stabilised and the agricultural and manufacturing industries of Europe again be set to work, purchasing power will revive, however slowly, and with it a market for British goods. But in some countries more remote than the European Continent the war has permanently narrowed

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the field open to British manufacturers. It has destroyed the habits of a century. Large areas of the world had learnt to send their wool and their cotton, their corn and their meat to England, and to import in return manufactured goods—clothing and machinery and a thousand and one articles of daily consumption. The war stopped the flow of British exports, and the people of the Dominions and India, of Egypt and the Far East and South America were driven to buy some things elsewhere and to make others for themselves. Local industries were established in the most favourable conditions for their successful development. The war eliminated foreign competition at the most critical stage more completely than an extreme protective tariff could have done. Old habits, once broken, are not easily restored. While British manufacturers may be able to regain much of the foreign trade which has passed to their American or Japanese competitors, they have probably lost irrevocably the market which is now being supplied by local industries in such countries as Australia, China and India. Once begun, the industrialisation of a land rich in natural resources spreads like a forest fire. In many of the older countries of the East its growth will be furthered by the existence of an inexhaustible supply of cheap labour.

We may now turn from these general reflections to look at particular industries. It is natural to examine first the position in the textile trades. In their return to peace production after the Armistice they were free from many of the disabilities which hampered other industries, yet they were amongst the first to meet the full force of the cyclone. The facts are simple and are not in dispute. Manufacturers two years ago found the world at their feet. The demand for every kind of textile product was phenomenal and far beyond the capacity of the mills, foreign competition was negligible. Prices, both of the raw materials, wool and cotton, and of finished goods, were high, and soared ever higher. Wages advanced, not in step, but to a level never before reached. By the summer



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of 1920 manufacturers appeared to have reconquered all their old markets ; orders were still being placed at any price that was asked. Then came the financial crisis in Japan. The Japanese export trade, built up during the war, was seen to be evanescent, while imported goods were flooding the home markets. To prevent a complete financial collapse the Japanese Government placed an embargo on further imports. Buyers in Japan at once cancelled large contracts for textiles placed with English mills. Other buyers in South America and elsewhere foresaw a break in prices, and cancelled orders in their turn. Within a few weeks all trade in textile products ceased completely. Great warehouses in the North were rapidly stacked to the roof. Firms which had had an order-book running into millions suddenly found themselves powerless to sell one single piece of cloth in a week. Everywhere mills went on short time. Enormous stocks have to be liquidated before manufacture on a large scale can be revived. The problem before the industry is how to bring about liquidation without general bankruptcy. The world is waiting for a further fall in prices. It has discovered that a suit of clothes is not worth £20, and that in a falling market clothes never wear out.

The price of coal counts for relatively little in the cost of textiles, but for a great deal in the iron and steel trades and their derivative industries of shipbuilding and engineering ; and as an important factor in charges for power and transport, it affects directly or indirectly, and in a greater or less degree the cost of all manufactured goods. Coal prices on the average have more than trebled since July, 1914 : steel furnace coal in Sheffield, *e.g.*, has risen from 11s. to 36s. a ton. Most of that increase is paid in miners' wages. The latest available return issued by the Coal Controller shows that for the quarter ended September, 1920, the average cost of production of the coal mined in Great Britain, and commercially disposable, was 34s. 9d. per ton. Of this amount 26s. 3d. represented wages,

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5s. 5d. stores and timber, 2s. 6d. overhead charges, and 7d. royalties. There has, of course, been a substantial reduction both in working hours and in the total output since 1914. The coal industry has been, and still is, under Government control; the State fixed wages, profits and home selling prices. It has recently been announced that control of prices is shortly to cease, and complete decontrol of the industry is likely to follow before long. Though inevitable during the war, control has had pernicious results. Whatever their differences may be, colliery owners and miners have one thing in common—the dominant interest of both is in the coal industry. They know and understand one another, and each acts as a check on the other's actions. Under control all responsibility was transferred to the shoulders least fitted to bear it, those of the Government. Owners had no incentive to improve management, and the miners were able to create and exploit a monopoly. Control of prices has meant instability: sudden and unwarranted reductions to court political favour, followed by excessive advances to cover up mistakes. Much more serious has been the inconsistency of Government policy on the big issue of nationalisation: it has destroyed all faith in Government impartiality and aggravated the difficulties of every negotiation with the men in regard to wages and output. The immediate outlook is sombre. The temporary wages settlement made in November and explained in the last issue of *THE ROUND TABLE* depended for its success on the maintenance of high export prices. The ink was scarcely dry on the agreement when export prices began to fall. The policy of financing the industry at the expense of the foreign buyer had left us with few friends abroad. German deliveries to France under the Treaty increased materially in the autumn. The high prices in Europe attracted American exporters and suggested a profitable use for the large amount of surplus American shipping. Within a few months the demand for British coal in the European



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market practically ceased. The miners now find themselves losing, through the closing of some collieries and short time in others, the additional wages which they earned by substantially increasing output during the test period in December. The monopoly has vanished ; and, like every other industry, coal mining is now fighting for its market. A new factor is thus introduced which may have an important bearing on the negotiations as to the future wages basis now being pursued, under the terms of the last settlement, between the owners and the men.

The iron and steel trades entered on the new epoch filled with hope. The prospects of the industry seemed brilliant. Armaments were a drug on the market, but for iron and steel in all its ordinary forms the world was crying out. Plant had been modernised, technique improved. For a time there was great activity, but during 1920 important foreign contracts began to be lost on price, to the United States in South America and the East, to Belgium and Germany nearer home. As costs of production increased orders dwindled, until at present there is stagnation. Even the home market is now in danger. Basic pig iron, which was sold in England before the war at £2 11s. a ton, is now offered by French and Belgian makers c.i.f. British port at £7 5s. to £8 ; the current British price is £10, and that after a cut from £12 2s. 6d. The lowest British offer at present for steel billets is £15 a ton ; Belgian billets are being sold in England at £10. The rise in all British prices for iron and steel has been prodigious. Steel ship-plates were sold in June, 1914, at £6 a ton ; to-day they are at £22 10s., a reduction from £27. The present cost of the coke and coal used in the manufacture of one ton of plates is £6 1s. 6d., or more than the selling price of the finished plate before the war. Materials have advanced in proportion more than labour, but wages in blast furnaces and steel works in the United Kingdom were undoubtedly high before the war in comparison with those paid in other industries. The average

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weekly wages have advanced to £7 5s. in blast furnaces and to £5 10s. in steel works. The comparative German wages, converted at 240 marks to the £, are £2 5s. to £2 15s. It is clear that at present relative costs of production foreign competition cannot in the long run be met; Belgian and German selling prices are below British cost.

The position of the shipbuilding industry is even more disquieting than that of the iron and steel trades. It is true that since the Armistice the United Kingdom has regained the place which it lost during the war to the United States as the country with a greater tonnage under construction than any other. Of the 6,300,000 gross tons being built at the present time approximately 3,700,000 tons are in British yards, as against 1,600,000 in America and 1,000,000 in other countries. But for some months past no new orders of any importance have been received. The gross shipping tonnage of the world at the end of 1920 is estimated to be 57 millions, of which 18½ millions were owned in the United Kingdom; the corresponding figures for 1914 were 49 and 19½ millions. The normal and abnormal wastage of the war years has thus been more than repaired in the world as a whole. There is to-day a deficiency of liner and an excess of cargo tonnage; but the phenomenal increase in the cost both of building and of running large passenger vessels is precluding owners from rectifying this disproportion. It is evident that the total of the world's ocean-borne trade, measured in tons, is less to-day than in 1914, and ships are everywhere being laid up because at the present rate of freight and price of fuel they can no longer be run at a profit. If we look to the future the prospect is not cheering. The world's shipbuilding capacity is now more than six million tons per annum, the British capacity being three million tons, or almost one-half of the whole. The average annual wastage from obsolescence, perils of the sea, and all other causes may be taken at three per cent. of the gross tonnage, or, say, two million tons. It is probable that much of the



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tonnage built in America during the war will have an abnormally short life, and on this account there may be a temporary additional wastage, commencing in a few years' time. Even then the world's post-war capacity for building is certainly more than twice its requirements to meet wastage. We have not taken into account the possible effect of technical improvements in design and methods of propulsion, such as the later developments of the internal combustion engine ; but while some of these improvements are in themselves full of promise, it is clear that the high capital cost of ships built in recent years and the expense of replacement in the near future will act as a deterrent to the adoption of new ideas. It remains only to mention the practical consequences of those provisions of the Peace Treaty which relate to German shipping. On the one hand British owners have been able to acquire the German vessels surrendered to Great Britain at prices far below the present cost of building, but the new tonnage built in British yards has proved exceedingly costly. Germany itself, on the other hand, is gradually reconstituting its merchant marine by chartering surplus American shipping at low rates, and by building new vessels in German yards much more cheaply than is possible in any other part of the world. In addition, the German Government are finding the money for new vessels to replace those surrendered to the Allies to the extent of 75 per cent. to 90 per cent. of the total cost, according to the type and power of the ship.

General industrial depression or financial stringency are always reflected sooner or later in the state of employment in the engineering industry. When trade is bad, expenditure on new machinery is severely restricted. Dear money means the postponement, wherever possible, by the State and public bodies of schemes even of productive development. Present conditions throughout the world illustrate both these statements. Powerful municipalities such as Birmingham and Leicester are compelled to hold

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up extensions to their power stations, though they are scarcely able with their present plant to meet even the demand from their existing consumers. Nothing but the difficulties of finance stand in the way of the electrification of large sections of the English railways. There is no part of the world in which engineering developments on a large scale would not be undertaken if capital were available, and none where the destruction of capital during the war is not felt as an insuperable, even if temporary, bar to most of these schemes. To this extent the engineering industry is in no worse position here than in other countries. But it has difficulties of its own. It was left by the war misshapen and ill-balanced. It had received great extensions to its machining capacity, often of a highly specialised kind, while the capacity of the foundries, on which it had to rely for its essential raw materials, had remained unaltered. Skilled moulders in England, like the aborigines in Australia, appeared to be a vanishing race. Their trade is unpleasant in itself, and has often been made less attractive by the conditions in which it was carried on. In the last two years inability to obtain castings in a reasonable time has hampered every branch of the engineering industry, through delaying and reducing production. The difficulty was aggravated by the moulders' strike of 1919-20, which lasted for four months, and threw back all deliveries of engineering products. The inability of British firms to keep promises owing to trouble with the moulders was put forward with damaging results by competitors in foreign markets. The loss of the European market has been felt severely, most of all, perhaps, by makers of agricultural machinery, whose trade with the now derelict countries of Central and Eastern Europe was once of great value. The pressure of foreign competition is already noticeable in the export trade, and to a less extent at home, and will undoubtedly become more acute as German industry revives. Costs of production in British engineering have risen more because of the high price of



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raw materials, particularly iron and steel, than on account of wages advances. Relatively to wages in many other trades, both skilled and unskilled, those of the mechanic have not increased unreasonably.

We have endeavoured in this brief analysis of the causes of the present unemployment to indicate some of the forces which have been acting on British industry since the Armistice. The picture is obviously and necessarily incomplete; some details remain blurred, others may have acquired an unnatural prominence. Two things, however, stand out from our enquiry. The first is that the effect of the war on industry has been on the whole bad. It has destroyed the sense of proportion; it has directed a good deal of industrial effort into the wrong channels; and, through the destruction of accumulated wealth, it has disorganised the whole life of the world in time of peace. The second fact is that the mining industry is in the only real sense the key-industry of Britain. So long as it is inefficient, in that it is producing insufficient coal at an excessive cost, all other industries will suffer.

### II. SOME REMEDIAL MEASURES

THE possible steps which can be taken in the face of widespread unemployment may be classed in two broad categories. They must be directed either against the effects or the causes of unemployment; their object will be to give relief or to provide a remedy. It is a sign of the gravity of the present crisis that most of the measures adopted or proposed for dealing with it belong to the first of these classes. Such are unemployment doles, relief works, the extension of short-time working. In the other category would fall, in the intention at least of their advocates, the reopening of trade with Russia and the other impoverished countries of Europe, and a reduction in wages. The problems of unemployment have been

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considered by the Government, by Labour, by some groups of employers, and by financiers, but, except in rather perfunctory discussions in Parliament, not so far by representatives of all these interests sitting together. The Government offered at the end of the year to set up a committee to investigate unemployment, and invited Labour to take part in the enquiry. The offer was declined on the plea that the committee would have no power to consider what were the underlying causes, as distinct from the temporary manifestations, of unemployment. There is no doubt that Labour was precluded from accepting the committee by the temper of the extremists in its own ranks. It was afraid of becoming a party to decisions which it might afterwards be compelled to resist. Nor has Labour's recent experience of Government commissions had the effect of creating a feeling of confidence in this method of circumventing a difficulty: the record of the Coal Commission has done more perhaps than anything else to vitiate the relations between the Government and the rank and file of Labour. Receiving no support from Labour, the Government dropped their proposal; but the Parliamentary Committee of the Trades Union Congress and the National Executive of the Labour Party set up a joint committee of their own. This body produced a report in ten days: it took the form of a comprehensive restatement of Labour policy. We shall have occasion to refer to its principal recommendations later.

Any statement of what the Government has done or is doing to alleviate the effects of unemployment must begin with unemployment doles. The new Unemployment Insurance Act came into force in November. It extended compulsory insurance against unemployment to substantially all persons who were already insured for Health Insurance, except outworkers, domestic servants, and those employed in agriculture. The Act is contributory, the fund being financed by contributions from the employer and the employed and grants from the State. Unemploy-



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ment benefit is at the rate of 15s. a week for men and 12s. for women ; it is payable for not more than 15 weeks, with a limit after the first year of one week's benefit for every six contributions. A short amending Act was passed in December in order to enable persons who were already out of work when the principal Act came into operation to claim the eight weeks' benefit allowed during the first year to those who have paid four or more contributions. The Act was criticised in Parliament, not only by Labour, on the ground that the benefits were inadequate, and the Government were urged to recast their proposals. They ignored the advice then given and let slip the opportunity of introducing a reform long overdue. Unemployment must be reckoned amongst the worst social evils ; the dread of it haunts the workers through life, and gives rise to a disastrous industrial policy. The neglect of the Government and of the large industries during a period of abounding prosperity to make any effective provision for insurance against hard times has put into the hands of the extremist in the Labour movement his most dangerous weapon. It enables him to argue with some justification that Capital shifts on to the shoulders of Labour even those risks for carrying which its own claim to profits, as distinct from interest, is made. The burden of an adequate unemployment scheme would probably be lighter than is generally supposed. It has been estimated that contributions of 2d. in the £ by workpeople, 2 per cent. on wages by employers, and £10,000,000 per annum, plus the expenses of administration, by the State would be sufficient to finance a fund from which benefits at the rate of 50 per cent. of the average earnings, with an allowance for dependents up to a maximum of 75 per cent., could be paid for 26 weeks in any one year. The proposals of the Labour Committee for immediately increasing the present benefit are that allowances should be paid of 40s. a week for each householder, 25s. for each single man or woman, and an allowance for dependents. It is obvious that if un-

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employment continues the Government will be compelled to extend the period and increase the amount of the present benefits. Starvation breeds Bolshevism, and 15s. a week at the present day is not far removed from starvation.

Relief works have been put in hand on a considerable scale. The Ministry of Transport is building arterial roads. A committee presided over by Lord St. Davids is administering a grant of £3,000,000 in aid of relief schemes undertaken by local authorities. Roads and housing were originally excluded from the purview of this committee, but secondary roads have now been added. The maximum grant to the local authority has also been raised from 30 per cent. to 60 per cent. of the wages bill. On the earlier figure the local authorities would have had to raise about £30,000,000 in order to spend the Government grant of £3,000,000, and the task was naturally beyond their powers. Under the modified terms many more schemes are being approved. But no alteration in the terms and no increase in the number of schemes can conceal the fact that relief works are essentially wasteful. The number of men who can be employed on them is only a small fraction of those out of work. Relief works take skilled men away from the work for which they are trained to tasks in which they are inefficient. There is a double loss to the nation : in the first place, because every man dismissed from his normal work owing to bad trade represents to the employer some proportion of his overhead charges unabsorbed ; secondly, because the ultimate value of the work done on relief works rarely exceeds 30 per cent. of their cost.

The third palliative suggested by the Government is an extension of short-time working. The policy has been enforced in the dockyards and similar Government establishments, and is recommended to employers generally. Short time is familiar in some industries, *e.g.* in the cotton mills, and not in others. It is unpopular with Labour because of the suspicion that it has been used in the past as a lever to bring about a reduction in wages. Obviously



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short time means extending to a much greater number of workers the progressive deterioration both in physique and morale which follows on earnings below the bare subsistence level. So far as it does that, it must be regarded as a bad and dangerous policy. The Labour Committee advocates an addition to the under-employment benefit which is payable under the present Insurance Act to persons on short time.

Of constructive proposals for attacking the causes of unemployment there is a great dearth. Trade with Russia is Labour's panacea. It is obvious that if the Russian Government commanded unlimited wealth which it wished to invest in re-equipping the Russian people with all the paraphernalia of civilisation which they have had to discard or have never possessed—an efficient transport system, a chain of super-power stations, industrial plant, steam ploughs, new clothes—an order for all these things placed in the United Kingdom would soon put an end to unemployment here. But is there any reason for believing that as things are trade with Russia could materially help in the immediate future? What Russia buys can only be paid for either in cash, in goods, or in concessions; if none of these is forthcoming long credit will be needed. The available gold in Russia is limited in amount; it is doubtful whether goods in any quantity exist for exchange—the fable of the “bulging corn-bins” was long ago exploded; concessions are worthless without capital for development, which Great Britain cannot spare, and security of tenure, which the Soviet Government is not able to guarantee. Long credit also presupposes capital, which the creditor can afford to lock up, and faith on his part in the debtor's intention to pay; both are lacking here. There is the further difficulty that if any sound basis for trade with Russia could be devised the United Kingdom would be at an even greater disadvantage in Russia than in other European markets. It may be assumed that if trade is reopened, Germany will do most of it: her industries would have

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the benefit of the exchange, of lower costs of production, and of a unique knowledge of the Russian market.

Russia, no doubt, is in a category of its own. The fabric of society, which in other countries of Central and Eastern Europe has been worn threadbare, has there been torn to shreds. There has been a clean break from Western civilisation. But in all the bare necessities of existence Russia is self-supporting, life at the Asiatic level can probably be maintained indefinitely. But Poland and the Balkan States and the inheritors of the Austro-Hungarian Empire are an integral part of the European system ; their restoration is vital to European stability. The desire to facilitate it, and in so doing to reopen old markets, has directed attention to proposals for financing trade between these countries and the industrial nations of the West. The Ter Meulen scheme is only one of many schemes with this object ; the fact that it has been recommended by the Financial Committee of the League of Nations has given it special prominence. As long ago as September, 1919, the British Government allocated £26,000,000 to an export credit scheme for encouraging trade with the Baltic States, Poland, Czecho-Slovakia and Yugo-Slavia. It was proposed to make advances in approved cases up to 80 per cent. of the cost to the seller. The purchaser was required to accept a bill of exchange in sterling, and to deposit in his own country as security currency equivalent to the amount of the bill plus a margin of 15 per cent. A banker's guarantee that the bill would be accepted and the security deposited was also demanded before advances were made in England to the seller. Whether because of the restrictions imposed under the scheme, or owing to the intrinsic limitations of all such proposals in practice, the total amount of the advances made up to December, 1920, had not exceeded £160,000. It is generally believed that financiers are lukewarm towards export credit schemes, if not definitely hostile. They are impressed by the view that the real risks—those due to political instability, bad government,



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reckless public finance—are uninsurable, and they consider that all other risks can be left to be dealt with by the ordinary banking and insurance methods which have been evolved after generations of experience. They may be right. But the public desires to be convinced that no possible steps to bring about a revival of trade have been overlooked. It feels that economic conditions in Europe are in many ways unprecedented and unforeseen, and that stereotyped remedies may be useless. On these grounds it is to be hoped that the committee of bankers which the Government has now appointed to examine and report on the feasibility of export credits will speedily arrive at definite conclusions, which can be interpreted in simple and intelligible terms. In times such as these there is everything to be gained by throwing aside the veil of mystery which enshrouds so many financial questions; it has ceased to be the prerogative of the City to pass a final judgment on proposals, such as the Ter Meulen scheme, which may affect the livelihood of millions of workers.

We come finally to a proposal which is being put forward with increasing insistence as the only ultimate remedy for unemployment—a reduction in wages. In its crude form the suggestion is that wages should be reduced, say, 30 per cent. all round, as they have recently been reduced in many industries in the United States. An alternative or supplementary proposal is that the country should return to the longer working week, of about 54 hours. Some advocates of a drastic reduction in wages claim that the workers would sacrifice nothing, because the cost of living would fall almost at once in the same proportion. But this view fails to recognize that the present high cost of living is due primarily to the price of imported foodstuffs. It is obviously wiser to admit frankly that real wages, and consequently the standard of living, might be lowered, and to argue that this is in any case inevitable, because present standards cannot be maintained as long as the total production of the country is less than it was before

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the war. In other words, permanent prosperity in the future can only be built up on hard work and plain living in the present. Now it is clear from our enquiry into the condition of the principal industries of the country that costs of production have risen to a point where they drive away orders ; and increased costs of production can ultimately be traced mainly to the rise in wages. The practical question which we have to answer is not whether wages need be reduced—for clearly if the products of an industry cannot be sold, either the cost of the manufacture must be lowered or the industry must disappear, and both alternatives involve a drop in wages—but in what way and on what conditions Labour can be brought to accept a reduction. We endeavoured to show at the beginning of this article that the war and the industrial history of the last two years have introduced a new factor, the temper of the unemployed. By this we do not mean particularly a tendency to violence and revolutionary methods : in the main the workers of this country are not less open to reason now than they have always been. But there is a profound difference between reason and mere acquiescence from blind habit in an established order. In the past unemployment solved itself in the long run because Labour accepted without question the working of a system of economic checks and counter-checks. It consented to be a pawn to be moved here and there at will by superior powers. We believe that that age has passed. Encouraged by events and by its rulers, Labour is determined to gain a firm footing in a new world. It is in the mood, if driven to extremes, to call in question the whole basis of the present industrial system.

If we are right in this view, it is obvious that both employers and the Government must walk warily. Nostrums such as a sweeping cut at wages all round would destroy those who administered them. It is idle to appeal to the example of America ; Labour is not prepared to abandon what it has won over three generations. There are, in our judgment, certain conditions necessary to be fulfilled if



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Labour is to be brought to agree to a reduction of wages such as the economic position of industry demands. Labour seeks in the first place proof that it is not alone in being called on to make sacrifices, and beyond this, protection against unemployment in the future. Both desires are reasonable and readily to be understood. We consider that the one should be met by the enactment of an adequate scheme of unemployment insurance. As for the other, employers must be able to show that profits are being reduced before a reduction is made in wages. They must make up their minds to take Labour into their confidence as to the state of their businesses. The average profit over a great range of industry is not normally excessive ; but it is right that concerns which show high profits over a period should have to forgo some part of them before wages could be interfered with. Further, the principle of reduction should be applied to salaries and also to overhead charges generally wherever possible. On terms such as these, it is probable that Labour would consent to a reduction in wages, based on the circumstances of each industry, and that employers and workers generally could agree by open and frank negotiation to co-operate in the re-establishment of industrial prosperity.

## INDIA THROUGH INDIAN EYES

*In the past, Indian subjects have generally been dealt with in THE ROUND TABLE by European writers, and we shall continue to publish such articles. Last December, however, a new departure was made by the publication of a couple of letters from competent Indian observers, and the following article is again from an Indian pen. As in the case of the letters, the writer alone is responsible for the contents. The descriptions and the comments are his own, but for this very reason they are of greater value than any views that we ourselves might express, for they help to throw light upon the Indian point of view, which, in the present complex situation, is perhaps the main factor. The article, like the letters, is chiefly concerned with the causes and effects of non-co-operation, and the religious side of that movement is again strongly brought out. The resentment left by events in the Punjab and their consequences is also described. It is doubtful if it is generally realised in this country how intense and widespread it is, and the picture he draws is not calculated to remove anxiety about the future. We have already expressed our views about Amritsar. At the same time faith in the fitness of India for the new era introduced by the Reform Scheme prevents the belief that progress along the path indicated by the Duke of Connaught in his speech at Delhi and in the message which he read there from the King Emperor will be permanently hindered as a result of bitterness, whatever the grounds. In the long run the higher interests*



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*of their country will surely prevail with patriotic Indians over every other consideration.*—EDITOR.

THE writer of this article has a vivid recollection of a visit he paid nearly two years ago to an Indian friend who a few days previously had entertained Mr. Gandhi for several days as a guest. The Government had recently declared its intention to proceed with the Rowlatt Bill. Mr. Gandhi had taken up the challenge. His host informed the writer that the course Mr. Gandhi had resolved upon would have the profoundest influence on the whole country, and that he believed India was on the eve of a terrific struggle. A retrospect over the two years which have elapsed demonstrates how true was the prediction. It will not be necessary to elaborate the facts in any detail. This has already been done in the columns of THE ROUND TABLE by other contributors, although it is but fair to add that from the Indian point of view the descriptions fail to convey the spirit of the country, the uprising of a people passionately seeking liberty—political, social, economic, and even religious.

### I

FROM a study of Indian newspapers it will be evident that certain definite matters of controversy and comment are continually referred to in their columns. These may be classified as follows: (a) Self-government or Swaraj; (b) the Punjab affair, and, in a minor degree, the Khilāfat; (c) the position of Indians abroad, particularly in East Africa and Fiji; (d) industrial unrest. These subjects will be dealt with below in greater detail, and the Indian point of view illustrated by quotations from current newspapers or periodicals.

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(a) *Self-government or Swaraj*.—Sir Verney Lovett, in his accurate, though imperfect, book, *The History of Indian Nationalism*, traces the development of the idea of self-government in Indian politics. He says :—

The Congress of 1906 again justified the boycott, and requested annulment of the Partition. It also formulated a new demand which was intended to, and did, unite for a time those Indian politicians who aspired to a far larger share in the government and other more violent spirits who were beginning to visualise the end of British rule. The demand was that the system of government obtaining in the self-governing British colonies should be extended to India. . . . In the presidential address of Mr. Dadabhai Naoroji occurred the following words : “ Once self-government is attained, there will be prosperity enough for all, but not till then.”

The declaration of August 20, 1917, was an acknowledgment of this demand ; and with the Reform Act of 1919 the first step to make India self-governing, it would appear, had been taken. The Moderate Party, at least, openly accepted it as such, and even the Congress at its session in December, 1919,\* was not wholly irreconcilable. It is true that its leaders pointed to what they considered grave deficiencies in the constitution and powers of the councils, but they declared their intention of utilizing them, provided that two matters were adjusted satisfactorily : The settlement of terms with Turkey by the Allied Powers ; and, secondly, the action to be taken by the Government of India on the Punjab affairs which were at that moment being investigated by an official and a non-official committee of enquiry. It will not be necessary at this stage to refer to the events of the succeeding twelve months, except to place in parallel columns for the reader's benefit the first article of the constitution of the Congress as it stood before

\* For the actual resolutions the reader is referred to *India in 1919*, by L. F. Rushbrook Williams, Appendix vii, p. 273.



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and after the amendment which was made at the last session held at Nagpur :—

*Original Clause, 1919.*

The objects of the Indian National Congress are the attainment by the people of India of a system of Government similar to that enjoyed by the self-governing members of the British Empire, and a participation by them in the rights and responsibilities of the Empire on equal terms with those members. These objects are to be achieved by constitutional means, by bringing about a steady reform of the existing system of administration, and by promoting national unity, fostering public spirit, and developing and organising the intellectual, moral, economic and industrial resources of the country.

*Clause as amended, 1920.*

The object of the Indian National Congress is the attainment of Swaraj by the people of India by all legitimate and peaceful means.

In moving his resolution at Nagpur at the last Congress Mr. Gandhi said :—

There are only two kinds of objections, so far as I understand, that will be advanced from this platform. One is that we may not to-day think of dissolving the British connection. What I say is that it is derogatory to national dignity to think of the permanence of the British connection at any cost. We are labouring under a grievous wrong, which it is the personal duty of every Indian to get redressed. This British Government not only refuses to redress the wrong, but it refuses to acknowledge its mistakes, and so long as it retains its attitude it is not possible for us to say all that we want to be, or all that we want to get, retaining the British connection. No matter what difficulties lie in our path, we must make the clearest possible declaration to the world and to the whole of India, that we may not possibly have British connection if the British people will not do this elementary justice. I do not for one moment suggest that we want to end the British connection at all costs, unconditionally. If the British connection is for the advancement of India, we do not want to destroy it. But if it is inconsistent

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with our national self-respect, then it is our bounden duty to destroy it. There is room in this resolution for both those who believe that by retaining the British connection we can purify ourselves and purify the British people and those who have no such belief. Therefore, this creed is elastic enough to take in both shades of opinion, and the British people will have to beware that, if they do not want to do justice, it will be the bounden duty of every Indian to destroy the Empire.\*

(b) *The Punjab Affair*.—Reference has already been made in this article to the two conditions laid down by the 1919 Congress, held at Amritsar, regarding the conditions on which the Nationalist Party would be willing to “work” the Reform Act. In the spring of 1920 the details of the Turkish Treaty were made public, and almost simultaneously the report of the committee appointed by the Congress to enquire into the Punjab disturbances and the official measures taken to restore order was published. At the end of May there also appeared the Hunter Committee’s Report, together with the dispatches of the Government of India to the Secretary of State, and a dispatch from the Secretary of State, conveying the decision of the Cabinet, which was subsequently endorsed by a vote of confidence in the House of Commons. As a result of the revelations made in these documents and the action taken thereon, India was plunged into a bitter controversy. The correspondence columns of the press were for the most part filled with fulminations almost unparalleled in the history of Indian journalism. Indian opinion declared itself with remarkable unanimity in pointing out that the chief culprits had escaped justice; that in the case of General Dyer, even though he had to leave India, his punishment was not commensurate with the offence of which he had been officially found guilty; that the late Lieutenant-Governor of the Punjab, who ought to have been impeached, had actually been commended; that the Viceroy, who had abdicated his authority

\* *Young India*, January 5, 1921.



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in favour of a brutal subordinate, and who by every canon of justice merited recall, was the recipient of the thanks of His Majesty's Government. The Anglo-Indian\* commercial communities were not a whit behind in their condemnation of what they termed a weak-kneed Government who had sacrificed to public clamour a brave soldier for an error of judgment, whose decisive action had saved India from revolution. At least one Anglo-Indian association demanded the recall of the Viceroy. At this stage it is necessary to make a distinction which is often overlooked. While the Anglo-Indian papers, particularly in Calcutta, continued a campaign of invective, the two English dailies in North-Western India, whose constituencies are more official than commercial, made a plea for sobriety and responsibility in criticism. As a matter of fact, they realised that the authority of Government was being undermined by extremists, both Indian and European. It was clear that there was a marked cleavage between British official and British commercial opinion.

The Indian Legislative Council met at Simla some weeks later, and the Indian members were determined to raise in debate the matters round which controversy had raged so far. The Government, indeed, at a previous session, had agreed that an opportunity should be given to the Council. On notice of such a motion being given by Mr. Srinivasa Sastri, the leader of the Moderates in the Council, he was informed that the Viceroy had used his prerogative of disallowing the motion, as the matter was of such a controversial nature, and had excited feeling to such a dangerous pitch, that a discussion would not be in the public interest. Interpellation in the Council further elicited the fact that subordinate officials whose actions had been reprobated in the Hunter Committee Report had been subjected to censure by the Government of India, and only in one case an official had been compelled to

\* The term is used in its original sense.

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retire a few months earlier than he would have done in the ordinary course of events.

Soon after the close of the session of the Council, the Viceroy paid a visit to Assam with the purpose, it would appear to the average Indian, of placating the European Planter community which a few weeks previously had demanded his recall. This particular evidence may be flimsy, but the view has gained ground that European commercial and Planter opinion is still a force to be reckoned with, and that the Government of India, when a decision has to be made between Indian and European, will bow before a storm of agitation raised by their own compatriots. The Dyer debate in the House of Lords also tended to confirm this opinion.

A few words regarding the Khilafat will suffice. The question itself has little vital interest to the majority of people in India. To many Mahomedans it is otherwise, and continues to form a focus of unrest. Generally speaking, the discussion has had the effect of concentrating attention on British policy in Mesopotamia and the Middle East. It is recognised that these "military adventures" would not be possible without Indian troops. Part I. of the Esher Committee's report tended to confirm this belief, and the British Government are credited with the sinister intention of militarising India to subject other races to their rule for the purpose of commercial exploitation.

(c) *The Problem of East Africa and Fiji*.—For a considerable number of years the educated classes in India have expressed deep concern regarding the status of Indians in the British dominions. Lord Hardinge's warm championship of the cause of Indians in South Africa is still remembered with gratitude, even though the actual results were far from being wholly satisfactory. It was recognised that negotiations with a self-governing dominion are peculiarly difficult, especially in matters concerning their domestic welfare. During the war special attention had been directed to the position of indentured Indians in Fiji,



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which resulted in the cancellation of all indentures. Early last year again the news arrived of labour troubles among the Indian emigrants which had been forcibly suppressed by the military forces of the New Zealand Government. Readers of *THE ROUND TABLE* will recollect the reference made to the situation by its New Zealand correspondent. While these events have disturbed the public mind, feeling regarding East Africa has also become acute.\* Here the Government of India has accepted Indian opinion, and their views are embodied in a vigorous despatch to the Secretary of State which has only recently been made public.

(d) *The Industrial Situation.*—The year which has just come to a close was also characterised by industrial unrest of a very serious character. The solidarity of Labour is a force which will have to be reckoned with in the future to an increasing extent. The first Indian Trades Union Congress was held in Bombay towards the end of the year, and in commenting on its sessions the *Indian Social Reformer* made the following remarks :—

An all-Indian organisation is not superfluous at a time when foreign exploiters in the face of the increasing power of labour in their own lands are casting longing eyes on India as a place where there are "no ten commandments" to come in the way of their sweating the "cooly." It is as well that they should be warned beforehand that the "cooly," too, has learnt the secret spell which has made European and American Labour a power instead of a commodity. The All-India Trade Union Congress is a sign and symbol for all to see and take warning by that the Indian labourer has found his manhood, and is not going to submit to be treated any longer as a piece of animated machinery. This is the necessary and most desirable sequel of Indian nationalism. We, therefore, cordially welcome the movement, and trust that, under wise guidance, it

\* "I will rather be a slave than willing to be a partner of the Empire which enslaves so many millions of human beings. . . . To some people it is flattering at times, and a high honour to be the citizens of such an Empire. That Empire denies to me the right and privilege of citizenship. Even though I had that citizenship, I would be ashamed of it, and not proud of it."—Lala Lajpat Rai, at the Nagpur Congress.

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will prove a source of infinite benefit to Indian workers without distinction of race or creed.\*

Labour unrest, to which most attention has been directed by the Nationalist Press, was when it affected public services such as the Railways and the Post Office or European-managed concerns. The political significance of this particularity is obvious. It affords an opportunity of criticism of a system where economic power is vested in the European, that is, in the hands of a community whom the Indian recognises as having no sympathy with his aspirations, and which he believes is a controlling force in the country. In recent years one of the main planks in the Nationalist platform has been economic freedom.

It may be relevant at this stage to draw attention to a judgment of the Madras High Court granting an injunction to the managers of an English mill prohibiting a Parsi Labour leader from organising their employees for the purpose of a strike. It is widely held that the right of association of working men has been seriously encroached upon.

### II

THIS review of the events of the year will, it is hoped, have given the reader sufficient background to visualise to some extent the situation in India ; but a mere record is scarcely sufficient. The problem is psychological. The reader ought to ask himself the question : What is the effect of all these controversies on the mind of the ordinary Indian ? For many years now Indians have been conscious of living in a world wherein they were branded as inferiors. It is impossible within the limits of this article to give the history of the mind of, say, a young student as he passes through his university course and enters life, which are precisely the years when he feels most acutely. "The

\* *Indian Social Reformer*, November 7, 1920.



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care of this world and the deceitfulness of riches " have not yet wholly disillusioned him. Perhaps in the near future some Indian of education, culture and feeling will unburden his soul in literature which will reveal the psychology of modern youth and manhood. The writer confesses that he himself finds it impossible wholly to preserve an inner calm when he reads the inscription in many railway stations, retiring rooms, or third-class compartments, "Europeans only." Such sentiment may be foolish, but, nevertheless, unconsciously the feelings of pain or anger do recur on every occasion (and they are numerous) whenever the individual travels, reads the newspapers, or visits a public office to transact business. Side by side with the secret feeling of humiliation (which, indeed, has heightened it) is the development of a sense of pride in Indian achievement. The writer well recollects the universal rejoicing that the appointment of Lord Sinha (then Mr. Sinha) to the Executive Council of the Government of India, and the triumphs of Rabindranath Tagore in Europe, occasioned. Such was the situation up to the war, which itself was a powerful demonstration of the solidarity of the Empire in which India was universally recognised to have a glorious share. The historic declaration of August, 1917, in spite of its condition of caution, encouraged the idea that a freedom so ardently longed for was in sight, when every Indian would at last have an honoured place in his own country. The Montagu-Chelmsford report, it is true, failed to satisfy the Extremist wing ; but on the whole the country was prepared to accept the scheme, recognising that it was a great step forward. India had yet to wait for what she will now call her great disillusionment. It came when the story of the Punjab was bruited abroad. The results were two-fold. In the first place, faith in the good intentions of the British Government rapidly disappeared. Practically every community in the country was affected, even the most conservative. In the second place, hopeless despair overtook some of the best men in

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the country.\* They were convinced that a stage in the relationships between India and England had at last arrived when the experience of history would justify revolution, and national honour could not be satisfied with anything less ; but it was futile, they resentfully acknowledged, to consider the use of armed force, which circumstances made impossible. Here, then, was the dilemma before many high-souled men : to accept the fact that they were slaves, to bow to superior might, or to make effective protest as members of a nation which, though under foreign rule, still treasured its honour and refused to be coerced by circumstances. It was this situation Mr. Gandhi captured by an appeal to moral forces which transcend what he would term the false realities of this world.

### III

“The prophet, his message, and its accomplishment,” might well be the heading of this section of the article. For the reader will utterly fail to appraise the present movement in India until he puts aside—temporarily at all events—political considerations.

Mr. Gandhi has sprung nothing new on a surprised world. His work has parallels both in European and Indian history. Every religious reformer, with his devotees, has done exactly what he has done. They have his virtues and failings, his strength and weakness.

The reader should turn to the pages of the German Reformation to seek a parallel, incomplete though it may be, but still suggestive. The successful reformer strikes at the psychological moment, when the minds of men are

\* An Indian gentleman, well-known both in England and his own country, told the writer of this article that though he had many sympathetic English friends, not one of them understood his feelings, “for not one of them has been a Slave.”



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stirred and in perplexity. Some concrete action focuses the issue, and he lays hold of it, whether it be Tetzels hawking, the grant of "indulgences" to the sinners of Wittenberg, or an administration indemnifying its agents who, in the minds of the people, have wrongly and unjustly used them. The challenge is then thrown down, the authority of a Church or Empire are questioned and no longer acknowledged, their credentials to rule are examined and found wanting. Luther's appeal was to a higher power, Gandhi's to an inner moral force, which he declares to his followers is unconquerable. In his organ, *Young India*, he writes continuously in a strain such as this :—

For me, I say with Cardinal Newman, "I do not ask to see the distant scene ; one step enough for me." The movement is essentially religious. The business of every God-fearing man is to dissociate himself from evil in total disregard of consequences. He must have faith in a good deed producing only a good result : that, in my opinion, is the *Gita* doctrine of work without attachment. God does not permit him to peep into the future. He follows truth although the following of it may endanger life. He knows that it is better to die in the way of God than to live in the way of Satan. Therefore, whoever is satisfied that this Government represents the activity of Satan has no choice left to him but to dissociate himself from it.

Again, in the very same number he writes, under the head of "A Movement of Purification" :—

The fact that non-co-operation by reason of its non-violence has become a religious and purifying movement, is daily bringing strength to the nation, showing its weak spots and the remedy for removing them. It is a movement of self-reliance. It is the mightiest force for revolutionising opinion and stimulating thought. It is a movement of self-imposed suffering, and, therefore, possesses automatic checks against extravagance or impatience. The capacity of the nation for suffering regulates its advance towards freedom.\* It isolates the forces of evil by restraining from participation in it in any shape or form.\*

\* *Young India*, December 29, 1920.

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So much for the man and his message. It remains to discuss the definite programme laid down by him included in the term, "non-co-operation," which recommends at one end the renunciation of titles, and at the other the non-payment of taxes. The whole programme has not yet been made effective. The special Congress which met in Calcutta last September definitely named the "items" which they would endeavour to make effective. Among these the more important are :—

- (1) Gradual withdrawal of children from schools and colleges owned, aided or controlled by Government, and in the place of such schools and colleges the establishment of national schools and colleges in the various provinces.
- (2) The gradual boycott of the British courts by lawyers and litigants and the establishment of private arbitration courts by them for the settlement of disputes.
- (3) Refusal on the part of the military, clerical and labouring classes to offer themselves as recruits for service in Mesopotamia.
- (4) Withdrawal by the candidates of their candidature for elections to the Reformed Councils, and refusal on the part of the voters to vote for any candidate who may, despite the Congress advice, offer himself for election.
- (5) The boycott of foreign goods.

Special emphasis has been laid on "items" 1, 2 and 4; but it would appear that the results up to now have been a failure. Great unrest has, however, resulted among students, and in some parts of the country really good men have refused to stand for election, and it is fairly evident that at least in Gujrat the voting was seriously affected by the non-co-operation propaganda.\* On the positive side some attempts have been made to establish independent educational institutions, but up to the present with little success.

The regular session of the Congress met at Nagpur during Christmas week; it was a great gathering of like-minded people. According to some reports 20,000 delegates

\* The report of the *Swarajaya Sabhe*, published in the *Bombay Chronicle*, December 24, 1920.



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were present. The president, a well-known Brahman lawyer from South India, in his presidential address, reaffirmed the demand for complete self-government, and even presented a draft statute to be passed by Parliament conferring Dominion Self-Government on India and incorporating a declaration of rights. He also criticised the programme of non-co-operation accepted in Calcutta. The new councils were, he said, in any case bound to be a failure, and the Nationalists were therefore well advised to boycott them "in finally declining to seek and occupy a position where it might be said at the end that we were responsible for the failure, and not the fatal inherent infirmities of the novel system." In education and the courts of law the matter was entirely on another footing :—

The most important item in the programme relates to the withdrawal of students from Government and aided schools. . . . It has hitherto been an accepted maxim of our political life that the students should be left in a calm atmosphere to pursue their career, and that it is injurious to them and to the rising generation to draw them into the highly excitable vortex of practical politics. Can the propaganda be carried on without violating this cardinal and very healthy maxim ? We seek Swaraj. The bedrock of a healthy nation is the sound family. Will not this propaganda separate students from parents and grandparents and from elder brothers and sisters oftener than not ? How long is this process to continue if England persists, however perversely, in declining to allow us to erect our own responsible government at once ? Will not at the end of this period—none of us can say how long it will be—the country be so much the poorer, and a sufferer in every way for our student population being suddenly debarred from pursuing their further career ? It would be a totally different thing if students are asked to give up Government and aided institutions whenever and wherever national educational institutions have been fully established, and are ready to receive them and educate them. . . . Besides, a true democracy implies universal suffrage, and a universal suffrage where only less than 6 per cent. of the population receive any kind of instruction is futile, and may at times be dangerous.

Then there is the item relating to the withdrawal of pleaders from the established courts of law. Let us now forget that freedom means the rule of law. But it is inconceivable that the "reign "

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and "majesty" of law can be secured and maintained without courts of law and without the profession of the law.

In spite of this the Congress reaffirmed its policy of non-co-operation ; but made one important change in its programme. It declared that pupils under the age of sixteen should not be compelled to leave school. Mr. C. R. Das, in supporting the resolution, told his audience to be vigilant as the call to put the whole programme into operation "down to the payment of taxes" might at any moment be given.

The Moderates have not been wholly in the background, though they are a faith without a prophet, still established in a conviction that the future does not lie in complete disassociation, with a belief that the road on which they have entered leads to the goal of a self-governing India. As members of the British Commonwealth, moreover, they continue their work, accepting every opportunity for service that may be offered to them, though as combatants against non-co-operation it is not surprising they have been unsuccessful.

Mr. Gandhi has a message for the youth of the country. He demands of it self-reliance, courage, and a discipline which will endure but refuse to resort to violence ; he desires a system of education which will inculcate these virtues. He considers that the present system strangles originality, is materialistic, makes its products servile to the spirit of the West as he interprets it—the love of power, economic advantage and exploitation, with war as the final arbiter. Herein most thoughtful Indians will agree with him, and Mr. Gandhi will have performed a national service to the country if these truths are widely accepted.

But Mr. Gandhi does not stop here. He propounds a proposition which is as fatal in its consequences as unsound in principle, to use his own words, quoted above, "therefore whoever is satisfied that this Government represents



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the activity of Satan has no choice left to him but to disassociate himself from it." Has not Mr. Gandhi at the back of his mind the ancient idea of his ancestors that matter, *Maya*, is essentially evil, and the true spirit has no truck with it? To disassociate himself completely from matter the philosopher postulated the non-existence of matter. When that comes as a final realisation *Nirvana* is attained. The non-co-operationist has proclaimed a moral blockade of the Government which he believes will undermine its authority and bring it to its knees. Herein lies the danger of the movement. Writing on the German Reformation, a historian's description of the causes leading up to the Peasants' War might even be applicable to India :—

The times of the Reformation were ripe for revolution, and the words of the bold preacher, coming when all men were restless, and most men were oppressed, appealing especially to those who felt the burden heavy and the yoke galling, were followed by far-resounding reverberations. Besides, Luther's message was democratic. He destroyed the aristocracy of the saints, it levelled the barriers between the laymen and priests; it taught the equality of all men. . . . Luther had voiced the grievances of Germany, had touched upon almost all the open sores of the time. . . . Nor must it be forgotten that no great leader ever flung about wild words in such a reckless way. Luther had the gift of strong smiting phrases of words which seemed to cleave to the very heart of things. . . . His words fell into souls full of the fermenting passions of the times.\*

The other great weakness of Mr. Gandhi's programme is its negative character. With his moral authority in the country he could transform the Congress into a real national body, on which would be represented every interest in the country, such as agriculture, industry; and which would render effective service to the life of all classes, to the peasantry and the field labourer, by education,

\* *Lindsay: History of Reformation*, Vol. I., p. 328. It may be that the Agrarian troubles in the United Provinces reported in the Press after these paragraphs were written represent the "far-sounding reverberations."

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by the establishment of village association to improve agriculture, by co-operative and similar organisations. In some such way the Congress would become a strengthening force in preparing the people for the duties and responsibilities of self-government, thus bringing the day of *Swaraj* nearer.

What is in the mind of the rulers of India at this time the writer has no knowledge, but he would submit that the first great step is to effect a reconciliation, and that immediately. Repression will be of little avail, it will make the situation even more grave. There are honourable men on both sides, men who have rendered great services to India and her people. Has every avenue been explored so that an understanding can be brought about? The first step must come from the Government of India. Will it be courageous enough to take it? Such questions are in the minds of many Indians. Both sides have much to give to the common life of the people; but efficacious co-operation is nullified by a grievous misunderstanding.



## CANADA

### I. THE POLITICAL OUTLOOK

THERE is a general impression that since Mr. Meighen became Prime Minister the Government has strengthened its position in the country. The fact does not reflect upon Sir Robert Borden, who was prevented by illness and necessary absences in London and Paris over a long period from adequate attention to his parliamentary duties or the affairs of the Unionist Party. Since his accession to the Premiership Mr. Meighen has been extraordinarily active in by-elections, and has addressed many public meetings throughout the country. He has been in every province, except New Brunswick and Prince Edward Island. He held fifty or sixty meetings in the four western provinces, and, it is admitted, made a favourable personal impression, whatever may be the political effect of his appearances. The results of the by-elections have been at least as favourable for the Government as could have been expected. In Colchester, Nova Scotia ; and in St. John, New Brunswick, Mr. McCurdy and Mr. Wigmore, taken into the Cabinet at the reorganisation consequent upon Sir Robert Borden's resignation, were re-elected by substantial majorities, and as good fortune attended the candidate of the Government in a by-election in British Columbia. But in East Elgin, in the Province of Ontario, a constituency normally Conservative, the nominee of the United Farmers had a plurality of nearly three hundred over candidates representing the Govern-

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ment and the Liberal Party. Thus the Government lost one seat in the four contests, while the position of the Liberal Party was neither impaired nor improved.

There are no evidences of political disintegration among the United Farmers. They are very formidable in the three Prairie Provinces, and perhaps stronger than ever in Ontario. In British Columbia, Quebec, and the three Atlantic Provinces, however, the agrarian movement does not seem to be making material headway. The situation in Ontario is peculiarly interesting. For two years the coalition between Labour and the Farmers in the Legislature has been maintained without serious friction. There have been, however, no concessions to Labour which could not have been obtained from the old parties, nor have any measures been enacted which could fairly be described as class legislation. Indeed, the Hon. E. C. Drury, Premier, and leader of the Coalition, appeals to all classes, and declares that government by a single class, whether farmers, industrial workers or any other organised interest, is objectionable, undemocratic and mischievous. He argues that it is legitimate for farmers to organise in order to improve the position of agriculture, but not to secure and exercise political control over other classes. Among the more extreme element in the farmers' movement his utterances are regarded with some disfavour, but he seems in increasing degree to command the confidence of the great body of agriculturists, and has acquired a distinct popularity in the urban communities.

Mr. Drury frankly states that his object is to create a new People's Party, and already he has achieved a personal ascendancy in the Province which no other political leader enjoys. He has absolutely no majority in the Legislature. Combined, the Liberal and Conservative Parties are as strong as the Farmers and Labour. But Mr. Drury goes on with serene courage and complete equanimity, facing the Legislature apparently without apprehension, perhaps convinced that the old parties will not unite to defeat the



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Government, and possibly believing that if that should happen he would come back from the constituencies with a People's Party and an adequate majority. What will be the effect of his attitude and example in Federal affairs is not easily determined. There is no doubt that he has secured the goodwill of thousands of people who are resolutely opposed to the fiscal policy of the United Farmers. He seldom touches the tariff, which has no natural relation to provincial affairs, but which, nevertheless, is made the chief issue in provincial contests in the Prairie Provinces. His deliberate object apparently is to create a Provincial Party, dissociated from Federal questions, and to convince the country that an administration representing Agriculture and Labour can co-operate with all classes and administer and legislate in the common interest.

When the Federal Parliament meets, the Government, at best, will have a majority of 25. It is not impossible that the majority may drop to 20. There is some danger that the Government will be defeated in West Peterboro', in Central Ontario, where a by-election will be held early in February. The death of Hon. Arthur Sifton leaves a vacancy in Medicine Hat, in the Province of Alberta, where the United Farmers are probably stronger than either the old Liberal Party or the National Liberal-Conservative Coalition. There is a vacancy in Yamaska, in the Province of Quebec, but it is doubtful if there is yet any French constituency in which a candidate of the Government could be elected. Quebec is protectionist, but is still unreconciled to the political leaders who denounced the Province so freely over the issue of conscription.

Sir Lomer Gouin, who resigned the Premiership of Quebec a few months ago and exercises a greater authority in the Province than any other public man possesses, has reaffirmed his allegiance to the Liberal Party, and acknowledged Mr. Mackenzie King as his leader in Federal affairs. But it is no secret that Sir Lomer is probably

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as strong a protectionist as Mr. Meighen himself. So Mr. Taschereau, who succeeded Sir Lomer as Premier of Quebec, said in the Legislature a few days ago that—

I do not think that I am venturing out of my domain in expressing the hope that industry may develop in the same way as agriculture has done. That is why, in spite of the legends which our adversaries endeavour to spread, the Liberal Party favours a tariff which will permit our industries to live and prosper. The leaders of the Liberal Party do not lose sight of the fact that we have at our threshold, separated by a purely imaginary line, the largest manufactories in the world, which are in a much more advantageous position for exchange, and that the too-free entry of their products into our markets would be ruinous to our industry and to agriculture. The latter needs the big Canadian market to be in a position to resist the American tariff and the English embargo.

Mr. Caron, Minister of Agriculture in the Quebec Government, has just declared in a speech before the Canadian Club of Ottawa that he is in favour of moderate protection; and Mr. Lemieux, who was Postmaster-General in the Laurier Government, takes like ground in his speeches in Quebec. Mr. Lemieux quotes a statement by Sir Wilfrid Laurier in effect that he did not want to see the great industries of which the country was so proud disappear, and that the farmers would regret it most if the cities were unable to buy their produce. Thus it is difficult for Mr. Meighen to appeal against his opponents on the one issue on which he could perhaps make headway in the French constituencies. There is no doubt that Mr. Meighen is anxious to strengthen the representation from Quebec in the Cabinet, and it is well understood that he could draw two or three recruits from the Liberal Party if the members willing to respond to his advances could be certain that they could hold their constituencies.

The whole situation will be affected by the actual tariff changes which the Government will recommend to Parliament. The Cabinet is now engaged in revising the tariff, fortified by an exhaustive inquiry into industrial conditions



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throughout the country. It is significant that few of the manufacturers who appeared before the Cabinet Committee suggested that duties should be increased. There was, however, complete unanimity in the demand of the industrial interests for a measure of protection. In this they were joined by leaders of organised Labour and by deputations of farmers in the older Provinces. But the bulk of the evidence submitted by farmers was in favour of lower duties, while many of the spokesmen of the United Farmers vigorously denounced protection as responsible for rural depopulation, scarcity of farm labour and disproportionate taxation of the agricultural population. It was shown, however, that the farmers, who represent one-half of the population, are paying only 2.2 per cent. of the total taxation collected on incomes, and only three-fifths of one per cent. of the revenue raised by profits taxes and Federal income taxes combined. The Minister of Finance was anxious to have the farmers suggest what taxes should be imposed to meet the losses which must follow reduction of customs duties, but generally they were reticent and indefinite. They were persistent in the demand for lower duties, but beyond that were content to leave the problem to the Government.

It is not believed that the Government will recommend any general increase of duties. Indeed, it is likely that increases will be more than balanced by reductions. But the principle of protection will be maintained, and Mr. Mackenzie King may not find it easy to hold some of his Quebec followers if he challenges the principle in Parliament. On the other hand, if he does not, any common action in the constituencies between the Liberals and the United Farmers will be rendered very difficult. Mr. King, however, states in many of his speeches that any rapid advance toward free trade is impossible in Canada; and even Mr. Crerar, national leader of the United Farmers, now declares that nothing more is contemplated than a general advance, by successive steps, towards free trade

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with Great Britain and freer trading relations with other countries. *The Toronto Globe* supports Mr. King's position ; but *The Winnipeg Free Press*, which for a time gave such powerful support to the Unionists, has practically gone over to the United Farmers. Less is heard of the proposal contained in the platform of both the Liberal and Farmers' Parties to increase the British preference to 50 per cent. There has been a remarkable increase in British imports into the Dominion, with consequent alarm among Canadian manufacturers. It is not believed that the Government has any immediate thought of extending the British preference, nor would the Liberals find the proposal palatable in Quebec, where so many of the industrial constituencies are held by the party.

The whole political outlook may be vitally affected by action at Washington. It seems to be certain, whatever may be the fate of the Emergency Tariff Bill now before Congress, that the incoming Republican Administration will materially increase duties against animal and field products from other countries. Inevitably the effects of such duties will fall chiefly upon the farmers of Canada. In proportion as Canadian products are excluded from the United States they must find markets in Great Britain, in other European countries, and in the other British Dominions. Exclusion of Canadian products from the United States also emphasises the value of home markets, and intensifies protectionist sentiment in the Dominion. In 1911, when the Trade Agreement between Canada and the United States, negotiated with the Taft Administration, was before the Canadian people in a general election, it was contended by opponents of the agreement that a treaty dependent only upon reciprocal legislation was liable to sudden termination by either country, and therefore could not give the assurances of permanence and stability which are essential to wise industrial investment and stable trade relations. It is held that this argument now finds confirmation and support in the disposition of



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Washington to increase duties against Canada at the demand of American farmers, and once again to force Canadian producers to readjust production and transportation to other markets. It is pointed out, too, that Washington has determined upon this action although we now import goods to the annual value of \$900,000,000 from the United States, and sell goods to that country to the value of only \$500,000,000, and sustain in addition an annual loss by exchange depreciation of \$100,000,000. Advocates of low tariff argue that if Canada had accepted the Trade Agreement of 1911 any proposal to increase duties against Canadian products would not now be entertained at Washington; but it is certain that an influential element in the Republican Party was unfavourable to the compact with Canada which Mr. Taft sanctioned; and in his contest with Mr. Wilson and Mr. Roosevelt in 1912 Mr. Taft lost the votes of thousands of Western farmers over the treaty which he persuaded Congress to accept but which the Canadian people rejected. At least, there was nothing in the agreement to ensure its permanence, even if one cannot know how far such a compact would have been treated by Congress as a binding and permanent obligation.

Whatever else may be said, Canada can have no legitimate grievance if American duties against Canadian products are now increased. The Dominion for many years now has insisted upon the right to control its own tariff. The Canadian Parliament and people cannot fairly challenge the right of Congress to do likewise. In such mutual freedom and independence perhaps lies the best hope of amity between the two countries. When Canadians rejected the Trade Agreement of 1911 there was no "retaliation" at Washington. A like spirit requires that Ottawa shall not now attempt to meet higher American duties by unfriendly legislation. The only sound policy for Ottawa is to legislate with a single regard for the interests of Canada subject to legitimate Imperial

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considerations and decent relations with other countries. Clearly, however, if the United States levies higher duties upon Canadian products, there will be less disposition to reduce Canadian duties, and even among Canadian farmers the feeling for a radical revision of the tariff may undergo some modification.

There is no doubt that the Government desires to postpone a general election until the summer or autumn of 1922. Time is required to organise the constituencies and to reconcile the old Conservative element to a Cabinet in which Liberals have a strong representation. Although the Cabinet is a Coalition, it is doubtful if any Liberal supporter of the Government could be elected in any constituency in which Conservatives have a majority. Time will soften these personal and partisan asperities, but old political prejudices die hard in Canada. Then the decennial census will be taken in July, and the Government will desire to readjust the constituencies according to changes in population as the Constitution requires. There is a feeling also that the over-representation of the rural areas is excessive if the farmers are to organise as a separate group for political action. In theory we have representation by population in the Canadian Parliament, but in fact the unit of representation for the counties is double that for the towns and cities. It has been held that extent of territory as well as amount of population should be considered in delimiting the electoral divisions; but if any one class of the people separate themselves from other classes for political purposes, a clear injustice arises if those other classes are grossly under-represented. Manifestly the Government would benefit by increased representation for the industrial communities; but aside from all partisan calculations, the time probably has come for a fairer division of political power between the urban and rural populations.



# Canada

## II. AUTONOMISTS AND CENTRALISTS

MR. MEIGHEN has not been induced to make any statement upon the attitude of Canada towards questions which may come before the Conference of Prime Ministers in June. It is believed that he maintains silence for two reasons : first, because he has been only a few months in office ; and, second, because he fears that any statement he could make would be perverted for partisan purposes in Canada. In Quebec particularly there are certain groups and journals which represent the Government as the subservient ally of British Imperialists, and would interpret any statement he could make to support this suspicion. Some people say that the object is to prevent any *rapprochement* between Mr. Meighen and the French people, and to maintain a "solid Quebec" at Ottawa. Then there are the extreme autonomists who forever suspect some dark design in London to restore Downing Street, and reduce the Dominions to a condition of inferiority and dependence in the Empire.

More and more the programme of this element appears in a form in which it can be understood. They seem to demand separate diplomatic representation for the Dominions at the capitals of all foreign nations ; separate navies under national control, abolition of appeals to the Imperial Privy Council, and complete judicial independence ; nomination of the Governor-General by the Canadian Cabinet, and the appointment of a Canadian to the office if the Cabinet so wills, and recognition of the Sovereign as the only actual or official link between the Dominions and the Mother Country. This programme may suggest a movement for separation, but many of those most earnest in its advocacy have no thought of separation. They contend that Imperial sentiment has deepened and strengthened with every advance towards independence, and that complete indepen-

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dence under the Crown is the natural and inevitable ultimate relation between the oversea British countries and the ancient seat and centre of Empire. They point out that from generation to generation the high Imperialists have denounced every extension of self-governing powers to the Dominions as a step towards separation and the destruction of the Empire, and that always the result has been the reverse of what was predicted. They reason that complete self-government will, therefore, only strengthen the sentimental alliance between the British nations, and that until national equality under the Crown is established the Dominions as related to the United Kingdom must hold an inferior position in the common Empire. They are resolutely opposed to all projects of Imperial federation, suspicious of Empire Cabinets and consultative Councils, cold towards all proposals for organised Imperial defence or common diplomatic action, and even fearful of the effects of London hospitality upon the independence of Dominion ministers who attend Imperial Conferences and sit at Councils with British statesmen.

It may as well be bluntly said that many Canadians who were much in London during the war have acquired a settled dislike of British permanent officials. For the Crown they have a greater regard than ever. For British political leaders they have no increase of reverence. This feeling does not prevail among the great body of returned soldiers, but that it exists among the official classes in Canada is beyond question. It is not always easy to discover the root causes of this irritation and suspicion, but possibly the explanation lies chiefly in the natural differences of method and outlook between the representatives of a new country and those of an old country which has long held the natural primacy of Empire.

Among these extreme national groups in Canada the notion persists that there is a continuous conspiracy in London against "colonial autonomy." They feel that British journals and British statesmen are insincere when



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they profess to recognise the Dominions as equal nations in the Empire. There has been, for example, much angry writing over certain speculations in London as to who should succeed the Duke of Devonshire as Governor-General, and the suspicion is expressed that social groups in Canada co-operating with social groups in London have been usurping authority which belongs to the Canadian people. It is assumed that the independent action of the Canadian delegates at Geneva must have been peculiarly distasteful to the British authorities. For example, *The Winnipeg Free Press*, which would resolutely oppose any movement for separation, had this reference to the attitude of the Canadian delegates at Geneva :—

The centralising Imperialists are doubtless astonished beyond measure to find that the Empire is not lying in pieces about their feet. They will be relieved to learn that the British nations can disagree publicly about matters of international importance without any disastrous consequences. But their resulting peace of mind will last only for a moment. To-morrow they will be the victims of some new bugaboo. They will propound some new taboo, the ignoring of which will mean the instant destruction of the Empire. Because their obsession is that the British community of nations has a natural tendency to disintegrate, monstrous though this hallucination is upon the morrow of the Great War.

*The Free Press* contends that those who entertain these apprehensions will bring the disruption which they imagine they are checking. It declares that these people are all for "Canadian autonomy" and for "equality of status" as a matter of mere words, but at proposals looking to the replacing of the illusion by reality they take alarm because this threatens something which they call "the unity of the Empire." It thinks that such people have no vision of Canada as a nation but only as "a glorified colony," aping a status which is not hers, and by a combination of hypocrisy and assurance claiming in the League of Nations a membership to which she is not entitled. *The Free Press* describes General Smuts as pretty much the sole hope of

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those in South Africa, in Great Britain and in the Dominions who desire to see South Africa remain in the Empire; "yet the very policy by which he plans to ensure the continuance of this relationship is, when stated in relation to Canada, regarded by certain elements in our population as designed to break up the Empire."

How—continues *The Free Press*—is the paradox to be explained? Very simply. The Empire of to-day, by virtue of the developments of the war and the making of peace, is the Empire as General Smuts conceives it; it is a co-operative alliance of British sovereign states. In General Smuts's view it is not going to become such an alliance—it is this already. All that remains to be done, as General Smuts said, quoting Colonel Amery, is to regularise the transformation by making the new form conform with the new spirit through the removal of the last vestiges of subordination. This is the work that awaits the Constitutional Conference of 1922. Should it fail to do its work, the first fruits would be the replacing of General Smuts in South Africa by General Hertzog, with all that this implies; but the evil consequences would certainly not stop there. Any attempt to throw the Empire back into a stage of development from which it has passed in the orderly process of evolution is bound to be mischievous in its effects. This is the work upon which our Imperialists are engaged. They are preaching the doctrine that unity of the Empire is only possible upon the basis of Canadian subordination. The doctrine is not true; but to the extent that they succeed in getting it believed they put the axe to the root of the tree. They are Empire wreckers, not preservers of its unity. Because the era of subordination has definitely, finally and irrevocably passed, and there can be no future for us which does not fully recognise that unchangeable fact.

In a long article on the appointment of Mr. Churchill as Colonial Secretary, *The Free Press* reasserts and re-emphasises its general position.

Mr. Churchill is going, by a display of his spectacular hustling qualities, to so fascinate the Dominions that they will forget these curious ideas they have acquired about nationhood and equality; or if they remain firm in their preferences, he will graciously meet their views, and so live in history as the emancipator of the Colonies. How fortunate it would be for the Empire at large, for the Dominions, and especially for the Mother Country, if by some means not



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apparently as yet discoverable, the press and officialdom of Great Britain could be brought to realise that the Colonial Secretary in either of these attitudes is equally futile and unnecessary ; that the time has definitely gone by when the Colonial Secretary has anything whatever to do with the Dominions. For the moment, awaiting the creation of new machinery, his office remains the channel of communication between the newer British nations and Great Britain ; but this will require to be replaced by some arrangement by which direct communication between these Governments would be made possible on terms of equality. That is to say, some Canadian Minister will deal directly with some British Minister without any appearance or suggestion of any inferiority of status upon one side or the other. With this formal recognition of a condition which exists already Canadians will cease to have an interest in the Colonial Secretaryship, and it will be unnecessary for them to have or to express any opinion about the fitness or otherwise of the statesman called to this position. That is one of the great gains of the new status ; once it is fully recognised there will be no appraisalment or disparagement by the people of one British nation of the public men of another. It ought to be none of our business what office Mr. Churchill fills in the British Government. Unfortunately, with the queer ideas still prevalent as to his powers over us, the attitude of complete indifference cannot be sustained ; but we have no doubt he will be the last Colonial Secretary whose appointment will occasion concern or interest outside of Britain and the Crown Colonies.

Of the school of *The Free Press* is Hon. W. E. Raney, Attorney-General for Ontario, who advocates the abolition of appeals to the Privy Council. In a speech before the Toronto Board of Trade he described the " appeal to the foot of the Throne " as myth, fiction and superstition. The argument suggested to Mr. Raney the old disease of King's Evil of which it was believed the victim could be healed by touching the King. He quoted Sir William Meredith, Chief Justice of Ontario, and for many years leader of the Conservative party in the Legislature, in support of his position. In the view of the Chief Justice, Canada, in relation to judicial appeals, was in the same position as the smallest Crown Colony. The Canadian Parliament had power to pass any law which it considered in its wisdom to be needed, and it was anomalous to have

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any such law interpreted by an outside body. The tie with the Mother Country was not so weak that it could be strained to the breaking point by such free action of the Canadian Parliament. Mr. Raney held that Canada had absolute independence on the legislative and executive side, but on the judicial side was as subservient as Sarawak or Borneo. When all was said, Canadians simply had to determine whether judges would be appointed by the people of Canada or by the people of Great Britain.

The spirit of independence revealed in these extracts is also expressed in *The Toronto Globe's* protest against renewal of the alliance between Great Britain and Japan. *The Globe* insists that neither country needs such an alliance for defensive purposes, and that in any controversy between Japan and the United States the Dominion and Australia would be more likely to take sides with the United States than with Japan if a choice should become necessary.

Under these circumstances—*The Globe* says—the interests of world peace would be advanced by cancellation of the alliance between Britain and Japan. There could be no doubt then as to the intention of the Britannic peoples throughout the world to preserve absolute neutrality in the remote but possible event of friction between Japan and the United States leading eventually to hostilities. Canada assuredly, treaty or no treaty, would feel under no obligation to come to the help of Japan against the United States, and so open our own borders to invasion and to all the horrors of modern war. The statesmen of the British Empire who are engaged in the work of safeguarding Great Britain's interests in the Far East doubtless understand that Canada can be no party to any international agreement which involves even remotely a risk so great.

It will be seen that at the moment there is unrest, if not conflict, in Canada over phases of the Imperial problem. Seldom does anyone return an answer to the anxious autonomists. It has been complained that the Prime Minister, Mr. Mackenzie King, leader of the Liberal party, and Mr. Crerar, leader of the United Farmers, seldom mention Imperial relations in their public speeches. They,



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doubtless, fully understand that there is no conspiracy in London against the peace, honour, or dignity of the Dominions, and that the masses of the Canadian people for the time are chiefly concerned with domestic conditions and problems. It is desirable, however, that these currents of Canadian thought should be understood in Great Britain, and that when all is said they represent a conception of the relation to Great Britain and of the future structure of Empire so common in this country that it is not challenged even when it is expressed with needless asperity and associated with centralising movements in London which probably most thinking Canadians believe now exist only in the imagination of uneasy and somewhat querulous controversialists.

### III. RELATIONS BETWEEN THE FRENCH AND ENGLISH IN CANADA.

THERE are welcome signs that friction between what M. André Siegfried, with popular inaccuracy, called "the two races" in Canada is abating. Both in Ontario and in Quebec less fire is being eaten than for some time past. Mr. Drury, the Cincinnatus who now presides over the destinies of the former, has on one or two occasions shown an olive-branch to the French Canadians. In Quebec, on the other hand, the retirement of M. Henri Bourassa into a sort of cloistral seclusion has left the dancing dervishes of the Nationalist party without the advantages of his powerful leadership; and for the moment the moderate policies of Sir Lomer Gouin and of M. Taschereau, his successor as Prime Minister of Quebec, seem to be in the ascendant. The truth is that the moderate people in both provinces have both been frightened by the sharp cleavage that occurred between Quebec and the rest of Canada over the question of compulsory military service during the war. There has been a natural revulsion in

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several quarters ; and now, in a hundred unobtrusive ways, hands are being held out across the breach.

It cannot, of course, be said that all grounds of conflict between the French and English in Canada have been removed. The most serious of the questions at issue—the language question in the schools of Ontario—is still officially *in statu quo*. Regulation 17—the now famous regulation of the Ontario Department of Education which ordained that, except in the first grade, English should be the language of instruction in all the schools of the province—has been upheld by a judgment of the Judicial Committee of the Privy Council ; and, on the other hand, it is still being defied by school boards in parts of the province where French-speaking Roman Catholics outnumber English-speaking Roman Catholics. Just what solution of the difficulty may be possible remains to be seen. Both from the constitutional and from the educational standpoint, the position of the Ontario Department of Education would seem to be unassailable. Under the British North America Act the control of education is vested solely in the Provinces, and the legislature of Ontario is therefore the sole judge of what should be the language of instruction in the schools of Ontario. Since 1867, it is true, the number of French Canadians in Ontario has greatly increased ; and something might be said in favour of a revision of the Confederation compromise in the direction of permitting French to be a language of instruction, beyond the first grade, in some schools. This, however, would be a very dubious educational experiment. As a matter of fact, French was for many years actually permitted, in a sort of tacit way, as a language of instruction in a considerable number of “separate schools” in Ontario ; and inspection showed these so-called bilingual schools to be hopelessly inefficient. It was, indeed, to remedy this state of affairs that Regulation 17 was promulgated ; and it is worthy of note that it gave to the French language in Ontario, if only in the first grade of the schools, an official standing which it technically



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had not had before. The principle underlying the regulation was that French should be permitted as a language of instruction only so far as was necessary to ensure, in the higher grades, efficient teaching in what is the dominant language, not only in the Province of Ontario, but in the whole of North America. Such a principle can hardly be described as pedagogically unsound.

Unfortunately, the question is not merely constitutional or educational in character. It has taken on political aspects as well. The French Canadians—not only in Ontario, but also in Quebec—have regarded Regulation 17 as an attack on their national identity. They have felt so strongly about it that, in some respects, it affected their attitude during the war. Nor is it difficult to understand their point of view. Take, for instance, the case of the French Canadians in Ottawa, where the question has assumed perhaps its acutest form. Ottawa is in Ontario, but it is at the same time the capital of the Dominion, and in it many thousands of French-Canadian servants of the State are compelled to live. In the Parliament buildings at Ottawa, under the provision of the federal compact of 1867, French enjoys, equally with English, the status of an official language. Yet in the schools of Ottawa, only a few blocks distant, it is denied equality with English. While such a situation persists, it is hopeless to expect that the language question in the schools of Ontario will cease to have political bearings.

On the whole, it would appear that, in the interests of national unity, some revision of Regulation 17 might be advisable, at any rate in regard to the schools of Ottawa. It is an open secret that at present informal negotiations are on foot ; and, with good will on both sides, there is no reason why a compromise should not be arrived at. After all, there is nothing in the history of "the two races" in Canada to suggest that they cannot get together. They have had their disagreements, and these disagreements have at times been fairly sharp. But when one considers

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the history of Ireland, of Poland, and of the Balkans, where peoples similarly diverse in religion, language, and historical traditions have been placed in juxtaposition, one is filled with amazement that these disagreements have not been sharper. Only on one occasion—and that nearly a century ago—has there been anything approaching armed warfare between the French and the English in Canada; and the Rebellion of 1837 in Lower Canada was a mere flash in the pan. It was limited to two or three counties; it was opposed by the whole weight of the French-Canadian church; and it was paralleled by a similar revolt in Upper Canada.

We are always prone to read the present into the past. Because in our own day there has been friction between the French and the English in Canada, we are apt to imagine that friction has always existed. Yet nothing could be farther from the truth. During the first half-century of British rule the relations between the two elements in Canada were extraordinarily amicable. When Francis Maseres arrived in the colony in 1766, he reported that "the English and French agree together tolerably well and speak well of each other, but there are great animosities between the English themselves one with another." It was not until after the beginning of the nineteenth century that the struggle arose which Lord Durham diagnosed as that of "two nations warring within the bosom of a single state." Since 1837, moreover, the degree to which the two peoples have pulled together has been much more remarkable than the degree to which they have pulled against each other. The co-operation of Baldwin and Lafontaine in bringing about full responsible government, the coalition between Brown, Macdonald and Cartier for carrying through Confederation, and the long harmony which existed between Sir Wilfrid Laurier and his English-speaking colleagues in the Cabinet, are all striking illustrations of this fact. History has had far too much to say about "Rep. by Pop." agitations, Jesuit



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Estates Acts, Manitoba schools, Military Service Acts, and such like, and far too little about the almost continuous collaboration between "the two races" in building up Canada.

If, on the whole, the relations between the French and the English in Canada have been unusually amicable, the credit is due, not only to the generosity of British policy in regard to the French Canadians, but also to the moderation of the French Canadians themselves. It may be that the French in Canada have at times suffered provocation, yet they have as a rule displayed a regard for constitutional methods, a veneration for constitutional forms, which bids fair to become one of their outstanding characteristics. It would be folly also to deny that there has developed among them a distinct national feeling, based on the factors of language, religion, and historical traditions; but this has not prevented them from sharing in a larger all-Canadian national feeling, based, not on the factors of language or religion, but on those of a common fatherland, a common allegiance, common political ideals, and common hopes for the future. For the development of such a super-nationalism, Canada's federal system has proved admirably adapted; and if means can be found for bringing the federal compromise up to date, as occasion arises, there would seem to be no reason why in Canada the English wolf should not for ever lie down with the French-Canadian lamb.

### IV. BUSINESS CONDITIONS.

CANADA, like other countries, is experiencing a reaction from high prices, and there is a consequent decline of industrial activity accompanied by unemployment; but the condition cannot be termed critical, and the country, after years of unexampled prosperity, is well situated to meet present difficulties. The best financial opinion is that granted reasonable prudence and economy,

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there is no need for apprehension, and in industrial and commercial circles return to more normal conditions is anticipated by the late spring, if not before. The present situation has long been expected, but it still found Canadian business unprepared, largely because of a high price movement in the early summer after the first clear indication of a decline in May. This misled both producers and purchasers. Production was stimulated and stocks were increased at war prices, so that the true reaction beginning later in the year found in factories, wholesale houses, and retail stores surplus commodities which would not have existed if it had not been for the misleading price movement of June and July. It must be some months before this surplus of goods can be exhausted, though the slashing of retail prices in large centres has resulted in a volume of buying by ultimate consumers which is only slightly below normal. In country districts, however, retail dealers are still reluctant to accept the inevitable, and wholesalers, slow to admit the necessity for sacrifice values, are withholding orders from producers in the hope of still securing good terms. This again embarrasses the manufacturer, who with marked reductions in the prices of raw materials could in some instances find an easy market selling direct to retailers at cut prices. But to do so would be to undersell the wholesaler still stocked with the manufacturer's early supplies, and so prejudice an established commercial relationship of proved value. Such conditions cannot persist. Country retailers must soon accept the situation. Wholesalers will have to sell or be undersold, and factories before many weeks should feel the stimulating influence of a sound buying movement.

Some weeks ago it was predicted that retail prices would have dropped 25 per cent. by the spring. As yet, save in certain commodities, the decline is not so pronounced. On raw materials, however, it has been striking. Wheat and corn and oats have experienced heavy declines. Wool values have been cut in two and cotton in three. Hides



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and skins have dropped heavily from their peak values. The average decline in wholesale prices since May is placed by a competent authority at 15 per cent. The Labour Department's index number of wholesale prices was down to 304.2 for November, compared with 317.6 for October, 307.7 for November, 1919, and 137.5 for November, 1914. The retail situation is more complex, and the average decline is hard to estimate.

The labour situation is difficult, but does not cause apprehension. There have been Federal and Provincial grants for unemployment relief, and in Winnipeg, Montreal and Toronto there are many out of work. But we are half-way through the winter, and no serious disturbances have yet occurred. All over the country there is a sure if concealed movement towards lower wages. Labour leaders will not recognise it publicly. Some trades still talk of war scales. But bricklayers are laying 900 to 1,000 bricks a day where they laid from 400 to 500. A shorter working day is in operation in numerous factories. Whether directly or indirectly a reduced wage scale is being introduced, and the fear of unemployment is producing pre-war standards of efficiency. There is the case of a knitting factory in the Province of Quebec which was forced by the decline in prices to reconsider its position. It had in operation 1,400 spindles, but with the reduced demand the number in operation was cut down, first to 1,200 and later to 1,000. The situation was explained to the employees, and they were told frankly that if production declined in proportion to the number of spindles in operation the factory would be forced to close. To-day with 1,000 spindles the factory is producing more goods than it did with 40 per cent. more spindles in operation.

As it met the war and the first years of re-establishment and reorganisation, so the country is meeting the present situation with calmness and with courage, and it is well equipped to overcome its difficulties. The wealth and buying power of the country is great as indicated by bank

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deposits and bond holdings. Our industrial and commercial organisations are efficient and adequate. We have tremendous stores of raw materials. Agriculture on the whole is in a strong position. New taxes have increased the public revenue beyond all expectation. It is believed that the total income for the financial year from all sources will exceed \$600,000,000. Indeed, the revenue is so abundant that it may be possible to repeal or reduce the levies upon excess profits and leave industries greater resources to meet the immediate industrial situation. Already the Government has removed the luxury taxes, and the whole question of business taxation will likely be reconsidered at the next session of Parliament. There is an unquestioned shortage of money, but the policy of the banks is not to reduce credits so as to endanger industry, and wherever possible to increase credits where orders and prospects justify increases. Individually, the country is prosperous. This is indicated not only by bank deposits and bond holdings, but by the practical disappearance of chattel mortgages and by the decline in farm mortgages all over the Dominion. As farmers have prospered, so have workers. When the Tariff Committee was at Hamilton, Ont., a worker of that city, who appeared on behalf of those "dependent upon practical employment," emphasised the great improvement in the general condition of labour in the last few years. From 62 to 75 per cent. of the workers in Hamilton are householders in their own right, either by direct purchase or purchase under mortgage. In Welland, Ont., over 85 per cent. of the people own their own homes, a very considerable portion of these being industrial employees. Mr. James Webb, an employee of a Canadian machinery corporation at Galt, on behalf of "the labouring classes of Galt," testified before the Committee to the general improvement of living conditions, and declared that in his shop 90 per cent. of the men own their own homes. It may be complained that these are scattered instances, but under the provisions of Federal and Pro-



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vincial Housing legislation, over \$10,000,000 has been appropriated for municipalities in Ontario. Practically \$7,000,000 has already been advanced. Another \$1,000,000 will be needed to complete the work under construction, and it is estimated that these expenditures will meet the cost of 2,200 houses and land. The Provincial Bureau of Municipal Affairs is the authority for the statement that practically all these houses are for working men and women. In other words Canadian workers have invested approximately \$1,000,000 in dwellings under this special housing legislation. Outside of these investments many working men have bought their own homes direct from private builders. There could be no more significant testimony to the general prosperity and economic stability of the Province, and other Provinces are equally well situated.

The Prairie Provinces this season produced the second largest crop in their history, surpassed only by the premier crop of 1915. The total value of the field crops of Canada for the past year is estimated at \$1,636,664,000, as against revised figures for 1919 of \$1,452,437,000. We have about 100,000,000 bushels more wheat than in 1919, 148,000,000 bushels more of oats—the largest yield on record, though the money value of the oat crop is \$10,000,000 less than in 1919. Hay and clover, while less in quantity, have yielded more, the price for hay being the highest in our history. The total value of the mineral production of the Dominion for 1920 is estimated at probably \$200,000,000, which is well above the figures for 1919, and compares favourably with our great year in 1918, when the total was over \$211,000,000. And if there is little activity in our nickel, copper and silver mines, a pronounced revival in gold mining is anticipated in both Ontario and British Columbia. In the latter province a company backed by British capital is now examining iron, coal and lumber resources, and the erection of large iron and steel works on the lower mainland is proposed. In the Maritime Provinces there is regret over the failure to carry out the ambitious plans of the

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proposed \$500,000,000 British Empire Steel Corporation, but it is felt that at least this new corporation will operate on an extensive scale and ensure extensive development of the coal and iron ore resources of the Maritime seaboard.

The development of the pulp resources of the Dominion during the past year was unprecedented, and further expansion is assured. The establishment of an immense pulp industry is now proposed in the Fort George district, British Columbia, and large new areas are to be exploited in New Ontario. The president of the Laurentide Company says that all the newsprint mills are contracted up to full capacity. The Fort Norman oil discoveries by the Imperial Oil Company are fraught with great significance for the country. The past year has been remarkable for an awakened interest in the value of the natural resources, and Provincial Governments are active as never before in determining industrial possibilities and encouraging industrial investment.

During the last nine months 100,000 immigrants have entered the country. Many of these had capital and at once became customers of Canadian manufacturers and farmers. It is stated that 10,000 British tenant farmers may come to Ontario in the spring. The Western Colonisation Association is meeting with great success in its movement to encourage settlement in the Prairie Provinces, and has already raised over \$1,500,000 for the purpose. In the Western Provinces alone the Soldiers' Settlement Board reports that returned men have taken up a total of 3,100,000 acres of land; of these, 2,000,000 acres are free lands granted to veterans, 8,000 of whom have availed themselves of soldiers' grants under the Act. Nearly 14,000 loans, amounting altogether to \$56,000,000, have been made by the Board to settlers in the three Prairie Provinces. In all Canada there were 20,000 loans effected, totalling \$80,000,000.

Canada. January, 1921.



## AUSTRALIA

### I. THE QUEENSLAND AND VICTORIAN ELECTIONS

THERE have been general elections in the States of Queensland and Victoria. In neither case did the result entail a change of Ministry.

In Queensland the Labour Government, headed by Mr. Theodore, was, by the elections of October, returned to power, but with a greatly reduced majority. The failure of Mr. Theodore's financial mission to London was the main subject of discussion during the campaign. The Labour orators belaboured the wicked London capitalists who did not jump at the opportunity of lending money to a Government whose supporters make a virtue of "expropriation." Their opponents cried, "Well, what can you expect?" Mr. Theodore has to face the new Parliament with a majority of only four, whereas in the previous Parliament he had a majority of twenty. An analysis of the voting shows that the position of the Labour Government is even less solid than its diminished majority makes it appear to be. A total of 158,317 electors voted for Labour candidates, whilst 172,917 electors distributed their votes among candidates of the Country Party, Nationalists, Northern Party, Soldiers' Party, and a few other groups. Curran once said of the fleas in an Irish hotel that if they had been unanimous they could have pulled him out of bed. Mr. Theodore also has cause to be grateful for the dispersal of the energies of his opponents.

## The Queensland and Victorian Elections

But there is another feature of the Queensland elections which needs to be considered. The electoral rolls were badly in need of revision, and a redistribution of seats was necessary to enable the true mind of the country to be recorded. Many constituencies represented by Nationalists were much larger than others represented by Labour members. In one case a Nationalist constituency—Bulmbra—contained as many votes as four Labour constituencies. In nine Labour constituencies the total number of votes was less than the minimum required by the Queensland Act. Mr. Theodore chose to fight the elections while these anomalies, entirely favourable to himself and wholly opposed to democratic principle, remained unrectified. There is no doubt whatever that had the rolls been revised and the electorates rearranged on an equitable basis the Labour Government would have been defeated. Mr. Theodore has saved himself, but only by the narrowest margin. His public utterances since the elections show a chastened moderation in contrast with his violence during the campaign. He is a man of ability, and will be disposed to learn lessons from the elections.

The Victorian elections resulted in the return of the Lawson Government with 31 direct supporters (Nationalists), against 20 Labour members. But there were also 13 successful Farmers' Union candidates. An alliance between this party and Labour is by no means likely, and Mr. Lawson, immediately after the elections, made it still more improbable by reconstructing his Cabinet. Mr. Lawson himself is a skilful and energetic politician of excellent business capabilities. He is not a showy platform speaker, but is an astute Parliamentary leader and a man of generous sympathies towards movements aiming at general culture. But three of his Ministers lost their seats at the elections, and there are members of his own party who would like to displace him. Mr. Lawson filled up vacancies in his Cabinet by giving portfolios to Country Party members, and his inclusion of Sir Alexander Peacock gave



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strength to the Ministry—for Sir Alexander is an old hand of no inferior skill in the manipulation of political forces.

Victoria remains the only State in the Commonwealth in which the Labour Party has never been able to govern. Only once did it get a foot in the stirrup, and then (in 1913) only as the result of a political "fluke," and for no longer than thirteen days.

### II. THE INDUSTRIAL SITUATION

THE industrial developments of the past few months will be prominent in the economic history of the Commonwealth. Legislation of the greatest importance is embodied in the recent Industrial Peace Act and the Commonwealth Conciliation and Arbitration Act, 1920, amending the principal Act. A few weeks ago Mr. Justice Higgins announced his intention of resigning the presidency of the Arbitration Court in consequence of this legislation. Shortly afterwards came his notable and far-reaching award of the 44-hours week to the timber workers' industry. Only last week the report of the Royal Commission on the basic wage was received, and the tremendous stir created by its estimation of the minimum living wage for a family of five persons at an average of £5 16s. per week has not yet died down. Another event of first-rate importance is the judgment of the High Court that "State instrumentalities" come within the jurisdiction of the Commonwealth Arbitration Court for the purposes of the Act. The repercussions of these developments in the industrial world are almost too numerous to mention. Together they have vastly aggravated the uncertainty of Australia's economic future. They mark, not so much the beginning of a new era as the painful culmination of a definite phase of industrial policy in the Commonwealth. Their accumulated results will probably compel some drastic revision of that policy. Unfortunately, however,

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the outlook can in no case be regarded as hopeful. The nemesis of the Australian type of governmental and judicial regulation of industrial conditions is upon us, though the immediate cause of our troubles is the opportunism of the Prime Minister, Mr. W. M. Hughes.

At the last Commonwealth General Election the Government failed to secure by referendum the extension of industrial and commercial powers which it sought.\* The Industrial Peace Act and the amendments to the Arbitration Acts are partly an endeavour to overcome the difficulties created by the lack of these powers, but are also largely due to the defects in arbitration machinery exposed by some years of experience. Broadly speaking, the new Act may be described as a combination of the principles of the Whitley Councils and of Australian arbitration courts. It provides for the establishment of a Commonwealth Council, consisting of not less than six persons elected by the employers and six by the workers, with a chairman nominated by the Governor-General. This body is charged with the consideration of any matters that may affect industrial peace, with reporting upon any industrial matter brought to its notice by the Governor-General or one of its members, appointing committees, summoning witnesses, and holding conferences on any relevant question. District councils may be established on similar lines, to cover any State or region of the Commonwealth. More important, perhaps, is the provision for the establishment of "special tribunals," of a similar constitution, but with power to deal with any industrial dispute which may be referred to them by the parties, and with all the authority and powers in relation thereto now at the command of the Commonwealth Court of Conciliation and Arbitration. More significant still, these new bodies can vary or set aside any decision or award made by the Arbitration Court itself. Into this new system are dovetailed the amend-

\* See ROUND TABLE, No. 39, June, 1920.



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ments to the Arbitration Act. Chief of these is the power given to the Court to set aside or vary any award, should it be satisfied "that abnormal circumstances have arisen which affect the fundamental justice of an award." This measure seeks to overcome the difficulty created by a judgment of the High Court that the Arbitration Court did not possess that power. Several important industrial disputes during the last twelve months have been attributed, on the side of trade union leaders, to this declared impotence of the Arbitration Court. Provision is also made for the appointment of a deputy or deputies to the president of the Court, for the purpose of overtaking the congestion of business which has hitherto been a fruitful cause of industrial unrest. Another clause gives further protection to workers against dismissal, by including the expression of dissatisfaction with conditions of work amongst the prohibited reasons for discharge.

While these measures were being debated in the Federal Parliament, Mr. Justice Higgins announced his approaching resignation as president of the Commonwealth Arbitration Court. In a statement from the Bench, he declared that the Court has been of great public service, by saving the community from the violent crises that had occurred elsewhere since the war. But the Prime Minister had repeatedly undermined the influence and usefulness of the Court by establishing temporary tribunals to deal with critical situations in industry. Thus, under the pressure of strike or threat of strike, the workers had been able to wring concessions by playing off one jurisdiction against another. He instanced "the disastrous experiments of the seamen, the marine engineers, the marine stewards and the merchant service guild cases," and said that they were sure to be repeated under the new methods now given the sanction of law. The president added that the Prime Minister had consistently ignored the advice given by himself and his colleagues, though based upon many years' experience of the work of the Court. Mr. Hughes's

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rejoinder did not elevate a controversy in which neither party gained in dignity. There is no doubt, however, that public opinion, though often divided concerning the awards of the Court, sympathises with Mr. Justice Higgins in the stand he has taken. The open flouting by Mr. Hughes of this and other public authorities has not strengthened those in charge of the most difficult of all tasks in these trying days. In all fairness, however, it should be added that the Industrial Peace Act was welcomed by all parties in the Federal Parliament, and it can be regarded as a sincere attempt to improve the machinery of industrial conciliation. Unfortunately, it is almost certain to be declared unconstitutional; and the coal-miners' and similar awards made through the special tribunals are certainly invalid. A serious practical defect of the new system is that the establishment of such tribunals all over the Commonwealth makes the co-ordination of awards and industrial conditions in general far more difficult than was the case with a centralised Court of Arbitration. While there is virtue in the encouragement of more local forms of co-operation, experience shows that nothing more surely keeps alive industrial unrest than the constant agitation for the equation of awards encouraged by numerous separate and restricted decisions. Were this the place for a review of the history of industrial arbitration in Australia, the work of the retiring president, Mr. Justice Higgins, would loom large as that of a man of remarkable ability, integrity and humanity, who gave the full powers of a liberal mind to the elaboration, through a badly-drafted Act, of an industrial policy whose objective at least was of the highest.

The first Special Tribunal appointed under the Act was due to a dispute in the coalmining industry. A tribunal had already been established on a consensual basis prior to the passing of the Act. The miners at first refused to arbitrate, but finally both sides agreed to accept the award of an arbitrator in the person of Mr. Hibble, the Newcastle



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coroner. The chief item in his decision was the award of a minimum wage of 16s. 6d. per day for surfacemen, and 26s. for coal-cutters. Then immediately ensued a crisis entirely typical of Australian conditions. In the award were included "the miners" of brown coal in the State-owned deposits of Victoria. The Victorian Government had intimated in the first instance that it did not regard itself as coming within the jurisdiction of the Special Tribunal, and it refused to be bound by the award, on the grounds that, the brown coal being in an open cut, such work was really quarrying or common labouring, and also that the Commonwealth had no right to control the conditions of State enterprises. The differentiation between the two classes of mining is hardly relevant, but the real case for Victoria is admittedly a strong one. All miners employed by the Victorian Government thereupon struck work, and the Australasian Coal and Shale Employees' Federation declared that they would prevent the State of Victoria from securing supplies of coal, for which it is almost entirely dependent upon New South Wales. After a fortnight of industrial tension, during which Mr. Hughes failed to shake the resolution of the State Government, all parties agreed to a test case being heard in the courts, the decision to be binding. The Victorian Government, however, "reserves all its rights in and in relation to any proceedings which may be instituted with respect to the award."

The intimate relation between Australian regulation of industrial conditions and the Federal Constitution has been further illustrated by a recent sensational judgment of the High Court, referred to above. The inclusion of "State instrumentalities" within the jurisdiction of the Commonwealth Court of Conciliation and Arbitration reversed the judgment given several years ago, when it was laid down that all State employees were excluded from the jurisdiction of that Court. One immediate effect has been the formation of Federal organisations of the trade unions engaged in

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various State enterprises, notably the railways. The Australian Railways Union bids fair to be one of the most powerful Labour organisations in the Commonwealth, rivalling even the Australian Workers' Union. In an article on the "One Big Union" \* the view was expressed that, though such a revolutionary and ambitious scheme had no hope of success in Australia, the movement towards closer co-operation between unions was bound to proceed. An attempt is now being made to form an Australian "Triple Alliance" of railway workers, waterside workers, and miners. This is partly the outcome of the virtual failure of the O.B.U. movement, and partly a counter-blast to the Australian Workers' Union. To the casual observer the official Labour movement throughout the Commonwealth presents the appearance of a rigid mosaic, whereas in reality it is a complex of viscous currents which are unlikely to achieve homogeneity for a long time to come. A description of the highly interesting series of changes, intrigues and rivalries now proceeding within the political and industrial life of the Australian Labour Movement must be reserved for the present.

During the last few years several applications for a 44-hours week had been made by different trade unions to the Commonwealth Arbitration Court. The president had, however, refused them all, chiefly because he considered it to be the proper function of Parliament to lay down a policy upon so vital a matter, and also on the ground that he should not prescribe such hours for one industry unless he could take the responsibility for a similar award to all industries of the same type. This latter view he expressed in May, 1920, in the case of the application of the timber-workers. The judge also intimated that he would be glad to hear evidence from both sides covering the whole field. The result was a protracted and extensive inquiry, in which numerous experts were called by employers and workers.

\* See ROUND TABLE, No. 35, June, 1919.



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The latter accepted the challenge to show that a reduction from 48 to 44 hours per week would not be followed by any diminution of output. From the evidence presented they cannot be held to have sustained this part of their case. Although Mr. Justice Higgins stated repeatedly that he would consider the risk of any large reduction in output as a serious matter for the country, his award has clearly been made in neglect of this eventuality. He was most impressed by the world-wide character of the movement for shorter hours, and the claim of the workers that they received nothing like their share of the ever-increasing social product due to mechanical progress. In short, the award is based on broadly humanitarian and social principles whose ethics cannot be gainsaid. The fact remains, however, that Australia has reached the industrial parting of the ways, a crisis finally emphasised by the report of the Basic Wage Commission.

This Commission was appointed by the Commonwealth Government, in fulfilment of a promise made at the General Elections, to inquire into and report upon the following matters :—

1. The actual cost of living at the present time, according to reasonable standards of comfort, including all matters comprised in the ordinary expenditure of a household for a man with a wife and three children under fourteen years of age, and the several items and accounts which make up that cost.
2. The actual corresponding cost of living during each of the last five years.
3. How the basic wage may be automatically adjusted to the rise and fall from time to time of the purchasing power of the sovereign.

The Commission was composed of equal numbers of employers and workers, in accordance with the too common practice in Australia of choosing "interests" instead of experts for such investigations. The chairman was Mr. A. B. Piddington, K.C., chairman of the Inter-State Commission. The inquiry extended to all the capital cities and some of the provincial towns. The bulk of the

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evidence was called and prepared by Labour's counsel. The whole investigation turned upon two points, the actual cost of necessary commodities, and the regimen to be adopted as a basic standard of living. Naturally the unions endeavoured to make the standard as high as possible, and many of the family and individual budgets tendered reached the height of absurdity. Even the reasoned claim presented by their counsel in the final stages involved a basic wage of between £11 and £12 per week. The ultimate finding of the Commission, published on November 21, is as follows :—

Melbourne, £5 16s. 6d. ; Sydney, £5 17s. ; Brisbane, £5 6s. 2d. ; Newcastle, £5 15s. 6d. ; Adelaide, £5 16s. 1d. ; Perth, £5 13s. 11d. ; Hobart, £5 16s. 11d.

The average wage for the Commonwealth during the past twelve months is approximately £4 4s. The extra amount per annum required, if the basic wage should be adopted, would be, according to the Commonwealth Statistician, £101,000,000, or £93,000,000 according to the chairman of the Commission. Discussing the effect upon industry, the latter stated, in a memorandum referred to below :—

If it could be supposed that the whole of the additional £93,000,000 labour cost could be passed on to the community the increase in prices would altogether outstrip the purchasing power of employees having a basic wage of £5 16s. Of the £298,000,000 worth of commodities produced in 1918 £113,000,000 worth, or about 38 per cent., was exported. Whether the increased cost of 62 per cent. could be added to the prices asked for the 38 per cent. of our products would depend upon world prices, that is, upon outside competition with all countries in the markets of the world.

The amount involved was so huge that the report created a sensation amongst all classes. Even Labour leaders privately expressed the opinion that such a burden upon industry was insupportable, though in Parliament and the Press they clamoured for the unqualified adoption of the basic wage. In anticipation of the need for showing clearly



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the impossibility of this course, Mr. Hughes requested the chairman to supply him with a memorandum setting forth the incidence of the new wage, its effect upon prices, industry and the export trade, and upon the Commonwealth's obligations to its own servants. Regarding the latter point, the Government's anxiety was justified, for the existing agitation in the public service was instantly raised to fever heat. Mr. Piddington's memorandum contained a suggestion, previously advocated in Australia, and recently embodied in a Bill introduced into the New South Wales Parliament, that the "basic family" should be rejected as the foundation of the living wage calculation, and that each individual worker should be paid a certain minimum wage, and that the employer should pay into a pool under Government control so much per employee for distribution to parents of dependent children. In actual figures, Mr. Piddington's scheme involves the payment of £4 a week to each male worker, and 12s. a week to parents for each dependent child below the age of fourteen. The employers would pay into the pool 10s. 9d. for each employee. This would reduce the extra burden from £93,000,000 to £28,000,000 per annum, and yet ensure a wage that would meet the increased cost of living. This idea is something of a response to the growing opinion in Australia that the single man receives far more than his due, and that the basic family wage is unjust and wrong in economic principle. Several judges in arbitration courts have animadverted very severely upon this aspect of minimum wage awards.

In introducing this memorandum in Parliament the Prime Minister naturally declined to commit the Government to any such scheme without further consideration, declaring at the same time that the adoption of the basic wage was quite impracticable. The Federal session closed without any action being taken, except that an understanding was reached in favour of some general advance in the minimum wage for public servants. The Government

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announced later its decision to fix the basic wage for public servants at £4 a week, with 5s. per child under fourteen, for married workers receiving salaries less than £500. This plan has been received with disfavour by the public services, though Mr. Justice Starke, deputy-president of the Arbitration Court, had insisted on the differentiation between married and single workers.

Whether the new scheme will prove either acceptable or workable cannot be said with any approach to certainty. It is regarded by most people as a desperate suggestion called for by Mr. Hughes in the dilemma in which he finds himself. The basic wage determination is again the nemesis of artificial regulation of economic conditions by authorities external to the industries concerned. It was bound to reach the point of breakdown, because it neglected more and more the relation between what is socially just and what is economically possible. The figure fixed is by no means exorbitant, having regard to the family unit of five fixed by the terms of reference. The report is nevertheless academic in character. The continual shortening of hours and raising of wages can only proceed with economic safety so long as one or more of the factors of production can be improved to meet the new charges upon industry—assuming that efficiency and output do not increase after a certain minimum standard of physical requirements of workers is passed. We seem to have reached that point in Australia some time ago. That being so, every new cost is registered more or less automatically in higher prices. There are exceptions, but broadly this is true. When we add to that tendency the influence of the present financial and industrial condition of this country and others, the seriousness of the effects of our artificial system becomes alarmingly clear. A widespread relaxation of efforts seems to be an inevitable outcome of such a policy. Only a great advance in the efficiency of our industrial organisation can meet or justify these continual increases in the cost of production.



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Another unfortunate aspect of the situation is the probability of greater industrial unrest than ever in consequence of the determination of the unions to enforce the payment of the basic wage. One possibly beneficial effect of the Commission's work is that a large proportion of workers are at last convinced that there is a natural end to the levering up of wages without a thought of the economics of production. This is cold comfort, however, to those who foresee a period of even greater industrial strain than before at a time when conditions are already critical, and when the results brought about by a long period of governmental interference are weighing their maximum upon the recuperative powers of the nation.

### III. THE AUSTRALIAN RECORD IN PAPUA

**I**N a previous number of *THE ROUND TABLE*\* a summary was given of the results of an inquiry by the Inter-State Commission into the position and prospects of British and Australian trade in the South Pacific. In their report the Commissioners expressed warm approval of the Australian Administrator in Papua, and we remarked that their verdict was contrary to many forebodings uttered when the Territory was taken over and to criticisms passed during the period of control by the Commonwealth. The prophets predicted that the natives would suffer ill-treatment at the hands of an Australian administration. The critics have declared that the natives have been unduly favoured at the expense of the white residents and of the shareholders whom they represent. It was thought at one time that criticism was inspired to a great extent by impatience with the inevitably slow growth of tropical products and would be diminished, if not silenced, when the plantations taken up in the early days of the administration had come to full bearing.

\* *THE ROUND TABLE* No. 33, December 1918.

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That expectation has been disappointed. During the past year a vigorous campaign has been directed against the Lieutenant-Governor with the object of having him removed from his position. Public meetings have been held at Moresby and Samarai, the two principal centres of the Territory, of which cabled reports have appeared in the Australian Press, and representations have been made to the responsible Minister. The meetings were neither unanimous nor representative. It is clear that in the Territory itself there are a large number of people in addition to the missionaries of all denominations who entirely approve of the Governor's policy. The response to the agitation in Australia in the Press and in the Commonwealth Parliament should have been highly satisfactory to Judge Murray, for it has revealed a wide appreciation of the conditions under which he has worked and the objects which he has pursued for the last fourteen years.

But incessant complaints, however ill deserved or ill founded, must hinder the progress of the Territory and injure the reputation of its administrators. The Commonwealth Government have therefore formulated proposals for the introduction of an elective element into the Legislative Council of the Territory, and Judge Murray has issued a review of the fourteen years of administration which began when the Papuan Act was brought into force and the Commonwealth assumed effective control.

Before commenting on this review it may be convenient to trace briefly the history of the relations of Australia with the Territory prior to the initiation of the present system of government. The chief points which attracted the attention of Australia to New Guinea were its proximity to the Queensland coast commanding the entrance to Torres Straits, and the possibility of its being used as a resort by lawless characters. At one time labour had been brought from New Guinea to the Queensland sugar plantations, but it had failed absolutely, and there was no idea of permitting further shipments when Sir Thomas McIlwraith



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made his abortive attempt at annexation. The opposition which this plan encountered from the Imperial Government was expressed in many different ways, and inspired by different motives. It was the policy of the Foreign Office to cultivate the friendship of Germany and to have a friend in opposition to the advance of Russia in the East, and at that time Prince Bismarck's critics in Germany were blaming him for his lack of sympathy with their newly developed colonial ambitions. The Colonial Office shrank from an undertaking the limits of which it could not foresee. Lord Derby warned the Colonial Governments against incurring the danger of a war similar to the Maori war, and suggested that they might find themselves opposed by over a million natives. The influence of Mr. Gladstone and Lord Selborne in the British Government was opposed to trusting the Colonies with any control of the native races, and fears similar to theirs were held by Ministers like Sir Charles Dilke, who favoured giving the Colonies what they asked for\*. The establishment of the Protectorate with limited powers and over a limited portion of the Territory was a compromise which was soon found to be unsatisfactory.

Annexation was the fruit of an agreement concluded at the Colonial Conference of 1887 between the Colonial Secretary, Sir Henry Holland, and the late Sir Samuel Griffith, who, besides being Premier of Queensland, was Chairman of the Standing Committee of the Australasian Federal Council, formed previously for the purpose of considering the external interests and defence of the Colonies. It was agreed that the Protectorate would be annexed if the Colonies would assume the cost of administration, entrusting the Queensland Government with the task of carrying it out. The cost of administration was fixed at £15,000 per annum for ten years and the authority of the Administrator was made subject to a number of

\* See Fitzmaurice's *Life of Lord Granville* and Tuckwell's *Life of Sir Charles Dilke*.

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conditions devised to protect the natives in the possession of their lands, to forbid them from being removed from their home districts, and to prevent the importation of arms, ammunition and alcohol.

The policy which has since been followed by the Australian Administration under Judge Murray was initiated by Sir William McGregor, the first Administrator appointed by the Government of Queensland. It was inspired by the belief that since we had gone to New Guinea for our own advantage our first duty was to the native inhabitants. Sir William's ten years of office formed a period of exploration and pacification rather than of agricultural development. He undertook many difficult expeditions, which are described in his own papers and despatches. He sought to improve the condition of the natives by prescribing rules for the cleansing of their villages, by encouraging them to plant cocoanuts, by enrolling a force of native constables, and by co-operating with the missionaries. His obstacles were those which have been encountered by all subsequent administrators and explorers, the extreme difficulty of traversing the mountainous country, the great number and diversity of the native languages, and the primitive civilisation of the inhabitants, whose manner of life was that of the Stone Age and who had not reached a stage of organisation in which any one tribe could negotiate as a whole or be represented by a chief.

It is not possible here to describe in detail the relations between Sir William McGregor, the Government of Queensland, and the Secretary of State for the Colonies. But Sir William's impression of the support given him by the Governments of Queensland and of the associated Colonies of New South Wales and Victoria may be set out in his own words :—

It is hardly necessary that it should be stated here that the contributing Colonies have faithfully carried out their engagements entered into with the Imperial Government for the ten years' administration. They have done more, for when appeals have been



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made by the Administration for some additional assistance or contribution the appeal has not been made in vain. The Governments concerned knew that time was necessary to obtain a footing in the country, to acquire knowledge of its features and of its inhabitants, and they did not force the local Administration to proceed with fatal speed. They have, with the assistance of the Imperial Government, which has contributed at least an equal quota, established and they maintain a Government in British New Guinea which is so just and considerate towards its natives that if there exists elsewhere a Government that is more just and more considerate I for one should like to give some study to its working.

Although the policy adopted by the Commonwealth when it assumed jurisdiction over the Territory was that of Sir William McGregor, the task attempted was far more difficult and more ambitious. It was two-fold: in the first place, to protect the native in his contact with Europeans, and, without destroying the structure of his social life, to bring him forward to a higher state of civilisation; and in the second place, to make the Territory self-supporting and to enable it to make an adequate contribution to the economic needs of the world. The present Administrator started with very little help from his predecessors. The work of Sir William McGregor had been almost completely obliterated in the very unsatisfactory period between his retirement in 1898 and the appointment of Judge Murray. At the same time, too sanguine hopes had been aroused as to the productivity of the soil and the amount of labour available by a Royal Commission appointed by the Australian Government to report on the agricultural possibilities of the Territory. It followed that although there was a great demand for land and a considerable amount of capital invested, the early years of the Administration were watched by many disappointed shareholders in Australia, and in Papua by many managers and officials, whose natural tendency was to place the blame for their own failure to produce satisfactory returns on the shoulders of the Government.

In the review already referred to Judge Murray analyses

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some of the conditions under which the work of himself and his subordinates was begun and has been carried on. The Papuan Act and Ordinances do not permit of the introduction as labourers of the aboriginal inhabitants of Asia, Africa or any island of the South Pacific with the exception of overseers or foremen whom the owner or manager of a plantation may desire to introduce for some special purpose. Apart from its bearing on the White Australia policy, the provision was absolutely necessary in the interests of the Papuan natives, who must have perished before an invasion of coolie labourers. But it at once differentiates the conditions of Papua from those which have brought about the rapid development of the Federated Malay States. It means that at present there can be no intermediate race between the white man and the native to carry on, at less than the white man's pay, work of which the white man is not capable. The gap may one day be filled by the educated Papuan, but not until he has become capable of far more continuous effort than at present. Again, Papua is not a country in which white residents will ever work except as overseers or foremen, and it had no ancient organisation such as the Dutch found in Java. If labour was to be found, then, it must be found in Papua, and, since no Australian Parliament would tolerate forced labour, it must be attracted by the promise of good pay or comfortable quarters or by some other inducement. Every regulation and inspection designed to protect the labourer from ill-treatment or bad conditions or deception by a recruiting agent can, therefore, be justified as intended for the good of the planter as well as of the native. For some years it seemed that whatever inducements were offered labourers would not come forward in sufficient numbers to carry on the plantations. But sympathetic administration was accompanied by a policy of exploration and pacification by means of connected outposts, and in his report for the year 1914-15 the Administrator was able to announce that the supply was equal to the demand, and " that the natives



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are getting more familiar with the white man's ways and more dependent on the white man's goods, and that the labourer, in the great majority of cases, can rely upon receiving fair treatment."

It is not to be supposed, however, that the supply of native labour is now entirely satisfactory either to the planters or to the Administrator. It is admittedly uncertain, and can be kept up to the demand only by keeping development down to a fairly slow pace. But the Government urge that this pace will not be accelerated by putting additional pressure on natives to work or by relaxing provisions introduced for their benefit. Their policy has been vindicated by the export figures of the last two years, which, in spite of a prolonged shipping strike, show great increases in both the quality and the value of agricultural products—*e.g.*, copra, £53,264 to £124,035; rubber, £33,010 to £41,542; total, £176,247 to £270,481.

But these increases are not entirely attributable to plantations conducted by Europeans. The Administrators have done their utmost to encourage natives to cultivate their own plantations, following the West Africa example, and to educate them for that purpose. By this means they have followed out a policy which may ultimately lead to the substitution of free for indentured labour, but they have not diminished the sense of antagonism which in every tropical possession under British rule has been shown by the white residents towards officials. Another grievance is found in the public works policy of the Government. It is true that the amount of improvements is very small compared with those carried out by the Germans in their coastal towns, and there are very few roads. But the reasons for the contrast are plain. The Australian subsidy has been much smaller than the German and has been spent largely in exploring and pacifying the interior, which the Germans have neglected, and the German plantations are many years older than the Papuan. During the last two years a native tax has been in force, but it is earmarked for

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native education and the improvement of native villages, and therefore does not increase the revenue of the Territory.

Under the proposed new constitution the Legislative Council will include a minority of elected residents and a majority of members nominated by the Administration. Strong representations have been made in favour of the appointment of a certain number of independent disinterested persons to protect native interests. It is not denied that they might safely be left in the hands of the Government, but it is thought that the Government representatives should be entirely impartial and that the present friction will be perpetuated if they, as spokesmen of the natives, are placed on one side and the planters on the other. The Commonwealth Ministry at present refuses to acknowledge the force of these arguments, but it is hoped that before the new Bill is introduced they will admit the strength of the public opinion behind them.

Early in the year a commission of three was appointed to consider whether the administration of the Territories held under mandate shall be amalgamated with that of Papua. By a majority (Judge Murray dissenting) the Commission advised against amalgamation, and their advice has been adopted in a Bill for the creation of a provisional Administration which has been passed by the Commonwealth Parliament. The Minister in charge of the Bill, however, admitted that the new arrangement could not be permanent, and it is hoped that the two territories will ultimately be amalgamated. The Mandate itself does not constitute a serious difficulty. Australia has power to apply its own law and to administer the possession as an integral part of its own territory. The report to be supplied to the Mandates Commission need not differ substantially from the report which the Administrator must furnish to his own Government. The most serious obstacle, in the opinion of the Ministers, is the lack of adequate means of communication. It is a real difficulty, but it must be over-



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come if the resources of either New Guinea or Papua are to be developed. At present the first task of the Government is to substitute for the German system that laid down by Article 22 of the Covenant, but that again is an argument for a temporary administration and not for permanent separation. Ultimately the problems and the conditions of the two territories are identical. The natives are of the same races and speak the same varied languages. The products are the same, the same discoveries of oil and minerals are hoped for on both sides of the imaginary frontier. Both are in desperate need of improved shipping facilities. Finally, the tradition of government established in Papua is entirely in accordance with the principles embodied in the Covenant of the League of Nations and is the foundation of the claim of the Australian people to be entrusted with the government of a race in a backward state of civilisation.

The future policy of the Islands is by no means clear from the debates in the Commonwealth Parliament on the recent New Guinea Act, and from the statements of Ministers it may be taken as certain that public opinion will sanction no change in principle in the policy which has been applied in Papua towards the natives. Even the strongest demand for the application of the "White Australia" policy in the mandated territories is attributable to a fear, not of Oriental competition or penetration, but to the danger of contact between coolie labour and the native races. The administration of what was German New Guinea is to be much more closely under the control of the Commonwealth Ministers than the administration of Papua, but both must depend mainly for their success on the personality of Government officials. There is no need to fear that any official will adopt intentionally a harsh attitude towards natives, will dispossess them of their land, will attempt to introduce forced labour, will fail to sympathise with the need for promoting native education. But there is every reason to fear lest a future Administrator will

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forget the aim of Sir William McGregor and Judge Murray to treat the native as an individual and to consider his well-being as one of the principal objects to be aimed at by the Administration for his own sake, and not merely that he might become a better and more efficient labourer. The temptation to treat him merely as an economic asset has been felt under the military rule of New Guinea, and is certain to become more strongly marked when Papua is equipped with its own elective Council.

In Sir William McGregor and Judge Murray the Territory has had at its head two men of unusual qualifications, who have added the sympathy, the knowledge, and the breadth of view of scholars to the courage and perseverance of pioneers. Both have been singularly patient, and Judge Murray has been almost too willing to be silent under criticism and misrepresentation. But it must be remembered that Australia is not provided with a school of civil servants (such as the Dutch Government provides for its colonists) from whom either Judge Murray or his very efficient and self-sacrificing lieutenants can be replaced. For the first fourteen years the officials of the territory have been inspired by the example of a high ideal and have followed it with admirable success. It will be a disaster to Australia if this tradition cannot be maintained, but unquestionably it will be difficult to do so, and the problem will not be solved satisfactorily by relying on officers whose sole experience has been gained in military forces.

Australia. December, 1920.



## SOUTH AFRICA

### I. SECESSION : AYE OR NO ?

EVENTS have moved steadily forward during the three months which have elapsed since the issue of General Smuts's appeal on September 29 for the support of "all right-minded South Africans, irrespective of party or race,"\* in fighting the secession policy of the Nationalists, and now, for the second time within a period of twelve months, the Union finds itself in the throes of a general election. The House of Assembly was dissolved by Proclamation on December 31, 1920, and polling day has been fixed for February 8, 1921, so that the result of the fresh appeal to the country will be known before the appearance of the March ROUND TABLE. But this article may serve a useful purpose in recording the developments which have taken place during the past three months and giving some indication of the conditions under which the struggle, so fateful not only for South Africa but also for the Empire at large, is being waged.

The position is happily no longer as confused and complicated as it was in the 1920 election. The electors in February, 1921, will be called upon to make their choice between three parties only instead of between four, as in March, 1920, and will face a much clearer issue. During the last three months the Unionist Party has disappeared, and the great majority of its members have been absorbed in the ranks of General Smuts's Party, the South African

\* ROUND TABLE, No. 41, December, 1920, p. 200.

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Party, which is now confronted with only two antagonists—the Nationalists and the Labour Party. General Smuts is asking the country “to administer a crushing defeat to the Secessionist Party,” and is appealing to all moderate men, whatever their previous party attachments, to give him their support in this election against those who, in seeking to separate South Africa from the Empire, are, whether they intend it or not, inevitably working to destroy the national unity of South Africa itself, and to split the country once more on the lines of the old racial cleavage between British and Dutch. In spite of persistent efforts which are being made by Nationalists and Labour alike to confuse and becloud the clear issue which has thus been presented for decision, the present indications are that the Prime Minister will succeed in maintaining the secession issue as the dominant issue during the campaign, and that the February elections will be regarded by the great majority of the electorate as something in the nature of a referendum in which they are asked to say Aye or No on this vital question. This will certainly be the case in constituencies where there is a straight fight between South African Party and Nationalist candidates, but where Labour candidates are standing the position will be less clear.

The South African Party gave its answer to the Prime Minister's appeal in a Party Congress which was held at Bloemfontein on October 27. General Smuts, in his speech at that Congress, said that the failure of the Hereeniging (reunion) Congress between the South African and Nationalist Parties in September marked an important turning point in history. The responsibility for the failure lay with the Nationalist Party, which had at last abandoned ambiguous phrases and made secession from the British Empire the chief plank in their platform. The Nationalist motto was “South Africa a republic”; the South African Party motto was “South Africa a nation.” The secession propaganda was fatal to national unity, and must necessarily convert the Nationalist Party into a purely racial party.



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The tendency of that Party was to create a new and more dangerous "uitlander" question in South Africa. He reminded his hearers that the South African Party had always stood for national unity, and for reconciliation and co-operation between the two races, and quoted General Botha's speech at the opening Congress of the Party in 1911, when he stated as the main object of the Party "the co-operation of the European races in order along that path to form a South African nation." "The time had now come to unite all the moderate elements in the country against the two extremist movements—the political revolution and severance of the British connection demanded by the Nationalist Party, and the social and economic revolution, aiming at the abolition of private property and the creation of a deadening socialism, which was the avowed policy of Labour." He referred to the effect of these movements in creating unrest among the large native population of the Union. "The secession movement causes an excitement among our natives, who hitherto have regarded the British connection as a protection for themselves. They are nervous as to what is to happen to them in a Nationalist Republic." At the conclusion of his speech he contrasted the narrower reunion, which would have been confined to two parties on more or less racial lines, which had failed, with the larger reunion, which was to include all the sound elements of the population, to which he now looked forward, and moved the following resolution :—

This Congress, being convinced of the necessity of a strong party which shall promote the national unity of the European races and the economic development of South Africa on peaceful lines, accepts the expansion of the South African Party on the basis of its fundamental principles and on the four points \* contained in the proposal submitted on behalf of the South African Party at the Hereeniging Congress, and authorises the Head Committee to take the necessary steps for such expansion and the reorganisation of the party. This Congress makes an appeal to all who agree with the above-mentioned principles and points to join such expanded party.

\* ROUND TABLE, No. 41, December, 1920, p. 198.

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The speeches made by General Smuts's supporters, especially by members of the rank and file, showed full appreciation of the point that the Nationalist policy of secession would inevitably revive in a more acute form the old division between British and Dutch, and would therefore be fatal to national unity, and General Smuts's proposals as to the expansion of the South African Party were accepted as the consistent and logical development of General Botha's policy of reconciliation and co-operation. The resolution was finally carried unanimously.

While the atmosphere of the Congress was thus full of promise for the success of General Smuts's appeal, the actual resolution adopted caused some disappointment outside the ranks of the South African Party itself. It was obvious that a resolution which accepted the expansion of the South African Party on the basis of its fundamental principles was not entirely consistent with the original appeal in which all right-minded South Africans had been invited to join "a new party," which was to be "a central political party." It could be well understood that the idea of dissolution of the South African Party in order that its members might be absorbed in such a new Party might have a very unsettling effect on the minds of the country members of that Party, but it was feared that an invitation simply to join the South African Party might prove distasteful to many of those—and especially to Unionists—who had welcomed the appeal for the formation of a new Party in which it was hoped that both the South African and Unionist Parties would be merged.

The Congress of the Unionist Party had been fixed to take place in Bloemfontein on November 3, and in the few days that intervened there was considerable speculation as to the course which would be taken at that Congress. Any fear that the Unionist Party would be deterred from responding to General Smuts's invitation by the alteration in form which that invitation had now undergone was, however, at once removed by the tone of Sir Thomas Smartt's



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opening speech on November 3, and by the terms of the resolution which he submitted for adoption in accordance with the unanimous decision of the Central Executive of the Party. Sir Thomas Smartt urged his followers to recognise the gravity of the emergency, and once more, as during the period of the war, to sink all party considerations for the purpose of saving the Union of South Africa from the imminent danger with which it was faced as the result of the secession agitation. The resolution was in the following terms :—

That this Congress of the Unionist Party, recognising that the disruptive influences in South Africa have become a growing menace to the maintenance of the Constitution and to the peace, progress and development of the country, welcomes the appeal of the Prime Minister to all right-minded South Africans, irrespective of race or party, to unite in order to combat these influences ; further, having regard to the resolution passed at the Congress of the South African Party, and recognising the necessity of a strong party which shall maintain the fundamental principles of the Act of Union and promote the national unity, the welfare of all sections of the people, and the economic development of South Africa on peaceful lines, authorises the leader, with the Party Executive, after full consideration of the situation, to take such steps as may be best calculated to secure this end.

This resolution was supported by Sir Percy Fitzpatrick in a speech in which he emphasised that the action which the Unionist Party was now invited to take was entirely consistent with their past traditions and with the policy and record of the Party since its inception under Dr. Jameson in 1910, when every effort had been made to get “ a fresh start ” on non-racial lines and to secure that the first Government of the Union should be a “ Best Man Government.” He pointed out that it had now been made clear that the failure of that proposal, which was supported by General Botha, was directly due to the opposition of General Hertzog and those who, with him, were now leading the secessionist movement. Mr. Patrick Duncan, in supporting the resolution, laid emphasis on the fact that

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the principles of the South African Party with regard to such questions as immigration and taxation, as embodied in their programme, were principles which the Unionists could whole-heartedly accept, though they might have reason to criticise failures in the practical application of those principles in the past. One or two speeches were made against the resolution by Natal delegates, who contended that it involved surrender by the British population in the towns to a Party which drew its strength mainly from the back veld Dutch, but when it came to voting the Congress was unanimous. Sir Thomas Smartt and the Executive of the Party, after conferring with the Prime Minister, issued a statement three weeks later to the effect that the Executive had unanimously decided to unite with the South African Party in support of the Prime Minister's appeal, and that the necessary changes in organisation would at once be made in order to carry out this decision.

It will be remembered that at their Congress of November, 1919, the Unionist Party had declared their readiness for amalgamation with the South African Party, but had refused to consent to absorption. The effect of the action of the 1920 Congress was acceptance of absorption, but it was absorption of the Party practically as a whole, with the prospect, therefore, that in the councils of the expanded South African Party Unionist views would carry their full weight. The change of attitude on the part of the 1920 Congress, divided by an interval of only twelve months from its predecessor, was due to the growing realisation of the gravity of the danger with which South Africa was threatened as the result of the secession agitation, and to recognition, as the result of experiences of the 1920 election and the subsequent parliamentary session, of the impossibility of effectively countering this agitation except by the strength of a united party. A strong desire was expressed, both at the Congress and in the Press, that the name of the expanded Party should be so altered as to indicate the change which had taken place, and it was suggested



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that it should henceforth be known as the "United South African Party," but, owing to the fears expressed as to the effect which any change of the Party name might have on General Smuts's supporters in the country districts, even this suggestion was finally abandoned.

Within a few days after the Unionist decision had been made public it was officially announced that H.R.H. the Governor-General had been advised by General Smuts to dissolve the House of Assembly, and that the dissolution would take place on December 31. On December 3 General Smuts addressed a great meeting of his supporters at Pretoria, in which he justified his action in advising a dissolution. He pointed to the difficulties in which the Government had been placed owing to the indecisive result of the elections of March, 1920, and reminded his audience of the unsuccessful effort which he had made at the beginning of the session to secure the formation of a "composite" government which would represent all the four Parties into which the House of Assembly was divided. That effort having failed, the Government had thought it its duty to carry on in spite of the fact that its Party was in a minority, and had, as he claimed, successfully carried through a great programme of useful legislation. "But it was the very exceptional circumstances which justified them in going on at all. And they were bound, under our democratic institutions, to consult the people again at the earliest opportunity. That opportunity would come as soon as a new political situation should arise. And that event has now happened. The political situation had changed materially. The grouping of parties since the last election has greatly altered; in fact, a new political situation has arisen which makes it right and proper that the people should be consulted afresh."

In this speech, and in a speech delivered a fortnight later at Johannesburg, General Smuts put clearly before the electors the main issue on which the election was to be fought—namely, the policy of secession, which had become

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"the first and cardinal principle of the Nationalist programme," and appealed to the country for a decisive verdict which would be "so overwhelming that the ghosts stalking through the land and frightening people may be laid to rest for ever." In an impressive passage in his Pretoria speech he told the country what secession really meant :—

"For secession means not only secession from the British Empire ; it means also secession of Dutch-speaking from English-speaking South Africans, who made together a solemn covenant at the Union.

"It means secession of one province of the Union from another and the break-up of the Union, which is the noblest legacy of our great statesmen, the consecration of all the sacrifices of the past.

"It means the secession of the natives, whose devotion to the British connection is historical.

"It means the complete isolation of Dutch-speaking Africa, and in that isolation its stranglement and decay.

"It means the blasting of all the great hopes which have sustained our people in the past. It means that a civilised South Africa becomes a dream, and that the white people of this Continent has decided to commit suicide."

A separate section of this article sets out the constructive policy as regards South Africa's future position in the Empire, which General Smuts in this speech put forward as the true alternative to secession. While laying principal emphasis on the secession issue, General Smuts also outlined the domestic policy of industrial development and social betterment which he looked forward to carrying out, and warned the country of the disastrous economic results which would follow from a Nationalist victory. He laid stress again—as in his first appeal for national unity in the special reunion of September, 1919—on the unique opportunity which was at present offered South Africa for a great forward industrial movement.

General Hertzog and his Nationalist followers seem to



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have been somewhat disconcerted by the remarkable unanimity and enthusiasm shown at the Bloemfontein Congresses of the South African and Unionist Parties, by the promptitude with which effect was given to the resolutions passed at those Congresses, and by General Smuts's subsequent decision in favour of an immediate fresh appeal to the electors on the secession issue. The first tangible evidence of the effect which these events had produced on their minds was the publication on December 10 of a manifesto by General Hertzog in which he made a belated effort to withdraw the secession issue from the electors at the coming elections and to substitute the issue of the economic policy of the Government. He suggested in this manifesto that the old policy of the Navigation laws which subordinated the economic interests of the Colonies to those of the Mother Country, and which resulted in the secession of the American Colonies, was now being revived in a new form in Great Britain, and that General Smuts and his Government were supporting or acquiescing in this new policy. He professed to have discovered a conspiracy, in which the Government were involved, to prevent South Africa from disposing of its products except to England, to prevent any non-British ships sharing in South Africa's trade, and finally to create a Banking Trust which would control the money market of the whole Empire, and hand South Africa over bound to British shipping companies, English manufacturers and London bankers. For evidence of the Government's complicity in this conspiracy he referred to the part taken by General Smuts and Mr. Burton in supporting a motion passed at the Imperial Conference in 1918 in favour of arrangements being made between the Governments of the Empire which would secure to the Empire and the belligerent allies command of certain raw materials for post-war reconstruction purposes. The object of this curious electioneering effort seems to have been to convince the electors that all the economic ills of the day—high cost of living, lack of employment,

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difficulty in disposing oversea of wool and other agricultural products, and curtailment of credit—are due in some mysterious way to the “imperialistic policy” of the Government, and thus to combine against the Government in one solid phalanx all who are dissatisfied with present economic conditions. General Smuts has had little difficulty in showing up the transparent absurdity of these accusations.

As regards the secession issue, General Hertzog's announcement that “this is not the issue in the next election so far as the Nationalist Party are concerned,” and that “that party will not appeal at these elections for authority for a republic,” does not seem to have had the restraining and reassuring effect on the electors which was apparently intended. At country meetings the secession issue is that which bulks largest, and on which questioners tend to concentrate their attention. General Hertzog's humbler followers seem determined to make it the issue as between themselves and the South African Party, however much their leader would like to avoid it. Even the pledge given in a later Nationalist manifesto that if the Nationalist Party are returned to power, a referendum will be held on the secession issue before active steps in the direction of secession are taken, has left things very much as they were. It is obvious that a Nationalist victory would be hailed as a victory for secession, and that a Nationalist Government, once in office, might so conduct affairs as to produce a crisis in which no referendum pledge would afford any safeguard to the loyalist population.

General Smuts has welcomed General Hertzog's attempted withdrawal of the secession issue as “the first instalment of victory,” but has truly said that, save as an indication of Nationalist weakness and “funk,” it does not alter the situation, and “the battle must go on.” By common consent the main issue as between South African Party and Nationalist candidates, on February 8th, will be secession.

The Labour Party has shown surprise and resentment



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at the decision to make a fresh appeal to the electorate on the constitutional issue. In March, 1920, public dissatisfaction in the principal towns of the Union with the failure of the Government during the three preceding years to take any effective measures to check profiteering and reduce the cost of living found vent in a great increase of the Labour vote, which raised the number of that Party in the Assembly from 5 to 21. The wave of feeling which brought Labour this great access of strength seems now to have spent its force. During the last session the Government succeeded in putting through three important measures which are intended to have the effect of bringing down the cost of living—a Rents Bill, a Profiteering Bill, and a Bill checking speculation in foodstuffs. These measures have been generally recognised as representing a determined and genuine effort to deal with a difficult situation; there has been some fall in prices, and the working of the Rents Act, while removing some grievances, has tended to show that the outcry on the rent question was exaggerated.

The Labour Party has in the meanwhile lost prestige by its vacillating attitude in the House of Assembly when questions of confidence were raised; while usually supporting the Government against the Nationalists, on one occasion last session it joined with the Nationalists in a resolute attempt to turn the Government out, while in two other critical divisions its members walked out of the House in a body without recording their votes. A fresh election just now therefore takes Labour at some disadvantage, and it is generally expected that it will lose some of the seats gained ten months ago. Indignant at finding its position thus threatened, Labour has declared that another election is quite unnecessary, that there was an ample majority in the last Parliament, including all the members of the Labour Party itself, pledged to uphold the constitution, and that this new appeal to the country is a mere device to get rid of a Labour Party whose present

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strength in the Assembly is inconvenient to big financial interests.

This was the gist of a manifesto issued by Colonel Creswell shortly after the dissolution was announced. To this General Smuts replied by pointing to the Labour Party's record in the last Parliament :—" It combined with the Nationalists more than once last session in order to defeat the Government. It is certain to try to do so again next session. If the result is the defeat of the Government, not Colonel Creswell, but General Hertzog, will form the new Government. And once a Nationalist Government is in power the situation may soon cease to be a Parliamentary one, and consequences may follow quite beyond the control of the Labour Party."

In his speech at Johannesburg General Smuts described in more detail the sort of ministry that General Hertzog might have been expected to form if his own Government had been turned out last session, and challenged the Labour Party to define its future attitude :

If the Government had been defeated General Hertzog, as leader of the Opposition, would have become Prime Minister, and would have been placed there by the votes of the Labour Party. General Kemp would have become Minister of Defence, and would have been placed in complete control of our arms and forces with the assistance of Colonel Creswell. Mr. Beyers would have similarly become Minister of Justice to draft the great Act of Separation from the British Empire. And so on through the whole list of them. It is nonsense to talk of a constitutional majority unless the Labour Party pledges itself to vote with the Government on all questions of confidence. I have asked Colonel Creswell whether he is prepared to give that undertaking to his loyalist followers. Thousands of them are awaiting his answer.

To this Colonel Creswell has replied that " His party would give no such pledge. A thousand times No ! They were not going to Parliament unless they did so as an absolutely independent party, pledged to the interests of the electors, and they would not let the constitutional issue be an excuse of the Government's neglect of the



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interests of the people of the country. General Smuts's request amounted to a demand for the surrender of representative institutions."

The position therefore is that while the Labour Party is pledged as a party to maintain the constitution, it will hold itself free to use its votes in Parliament to throw out a Smuts Government on any economic issue, even though a Hertzog Government is the only alternative, and the loyalist members of the Labour Party have to decide whether, in view of General Smuts's grave warning as to the consequences which may ensue once a Hertzog Government is in power, they are prepared, in the present situation of the country, to take the risk of such action by their representatives.

Labour's attack on the expanded South African Party is that it represents the big financial interests, which will use their power to favour the exploiter and the profiteer and will be indifferent to the real needs of the people. It ridicules the action of the Unionists in throwing themselves into the arms of a conservative party, in which the land-owning interest predominates, and proclaims that by so doing the Unionists have abandoned all those progressive items in their programme, such as the taxation of land on its unimproved value, which have hitherto distinguished their policy from that of the South African Party.

In the country districts the cry raised by the Nationalists is just the reverse of this. There it is the South African Party which is said to have sacrificed its principles by allowing itself to be swamped by Unionist members who will henceforth dominate its policy, both on imperial and domestic questions. General Smuts is represented as having surrendered to the dictatorship of Sir Thomas Smartt: and the South African Party is portrayed as an imperialist jingo party, which will subordinate South African to British interests, flood the country with British immigrants, and deprive the Dutchman of his farm by a ruthless policy of land taxation. The Nationalists profess

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to expect substantial gains in the country districts. They do not confidently claim an absolute majority over all parties, but their leaders are said to estimate that their strength in the new House will be increased from 44 to 61. The total membership of the House is 134, so that no party can be regarded as having an adequate working majority if it has less than 70 seats. Labour is not likely to lose more than half of its present strength (21 members), so that if the Nationalist estimate were to prove correct Labour would almost certainly hold the balance of power.

There is no doubt that, in spite of the strength of General Smuts's appeal on the broad issue which he has so clearly presented to the electors, the difficulties of the expanded South African Party are very real, and will not soon disappear even if General Smuts is successful in obtaining a majority over all comers at this election. The two elements of which the Party is composed are as yet imperfectly assimilated, and while General Smuts has to look in the main to the urban electorate to provide him with the extra seats needed to constitute such a majority, the arguments on taxation and other domestic questions addressed to urban electors by ex-members of the Unionist Party may have a disturbing effect on his landowning supporters in the country districts, and even on the imperial question itself there is, side by side with agreement in offering determined opposition to secession, a difference of tradition and outlook between the former Unionists and their new comrades, of which the Nationalists will not fail to make the most. It may be suggested that under such conditions it would have been wiser to secure a working alliance between the two elements of which the Party is composed instead of bringing about the fusion of the two parties. The answer is that a coalition in which the two parties had each retained its separate identity was open to the grave objection that it would have involved the risk sooner or later of racial friction. The only way to get rid of this risk once for all was to merge the two parties into one.



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In spite of these difficulties there is a fair prospect of the South African Party's success in this election as the result of the strong appeal which General Smuts and his followers are able to make to the electors to preserve national unity as the first condition of stability and progress, and for this purpose to deal a crushing blow to the secession movement. The tendency on the part of the Nationalist leaders to run away from their own secession policy seems to show that that policy, now that it has assumed a more definite and less ambiguous form, has excited considerable alarm among the more sober-minded of their own followers, who realise that, whatever its political and sentimental advantages, its active pursuit is bound to involve constant disturbance and unrest, which will be disastrous as far as the material interests of the country are concerned. But, even if General Smuts is destined to suffer a temporary set-back in this election, the bulk of his supporters share his own deep conviction that he has set out on the right road, and that his ideal of national unity and his conception of South Africa as best able to realise its highest destiny as a member of the British Commonwealth of Nations will ultimately prevail.

### II. SOUTH AFRICA'S STATUS

#### *The Two Competing Creeds*

GENERAL SMUTS'S speech at Pretoria on December 3 included the following considered statement of his views on the question of Imperial relations and South Africa's future as "a free, equal and independent State in the British Commonwealth of Nations":—

I proceed now to state our views on the Imperial connection, and on Imperial and external relations generally. What is our attitude towards the future position of the Union? Do we meet secession with a mere barren negative? Or have we a positive ideal to put in the place of the separatist republic of the Nationalist programme? To these questions our party has definite and clear answers.

## South Africa's Status

When the Nationalists speak of "independence," and of secession from the Empire as necessary to secure that independence, they are dominated by pre-war conceptions, and fail to take account of the fundamental change which the war and the peace have effected in the constitution of the British Empire. If by independence the Nationalists mean (as they allege) an independence which is friendly to, and in friendly association with, the British Empire, and not an independence hostile to the Empire, then I say in all sincerity and conviction that such an independence we can have in fullest measure without secession from the Empire. That is the great change in the status of the Dominions to which I have often referred in my speeches.

The British Empire undoubtedly began as an Empire of the old type, the United Kingdom being invested with sovereign power over the subordinate parts (colonies, protectorates and such like) spread over all the Continents. But the movement of that Empire was ever in the direction of more freedom to its subordinate parts, and from time to time free self-government was conferred on one colony after the other.

The movement went still further with the constitutions of the great Dominions which even before the war enjoyed full legislative and executive sovereignty, but only in respect of their own internal affairs. Their Parliaments had full power to pass laws, their Governments had full power to administer their affairs, but only within their territorial boundaries. Beyond their borders they had no power or authority; on questions of foreign relations with other countries, on questions of peace and war, they had no voice, and the United Kingdom spoke and acted for them. In other words, they had no international status. That was the Empire which still existed on August 4th, 1914. When Peace was signed on June 28, 1919, it had fundamentally changed; it had, in fact (as I have before said), ceased to exist. As a result of the war and the prodigious war efforts of the Dominions, and the determination of their statesmen no longer to occupy subordinate positions, the Dominions took part in the Peace Conference on an equal footing with the other Powers and States, and their representatives signed the Peace Treaty on behalf of their Dominions along with the representatives of the other Powers and States.

In other words, the international status of the Dominions inside the British Empire was recognised by all their co-signatory States. And in future the Dominions have in principle authority and power, not only in respect of their domestic questions, but also of their international or foreign relations, and the questions of peace or war which may affect them. If a war is to affect them they will have to declare it. If a peace is to be made in respect of them, they will have to sign it.



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While all subordination in their status has disappeared, and their independence has been achieved, yet many of the old forms of subordination still remain, as there has not yet been time to work out the results achieved at Paris to their practical detailed conclusions. In a few years, however, this should be possible.

"The principle of equality of national status between the United Kingdom and the Dominions will have to be worked out to its fullest conclusion. The last vestige of anything in the nature of subordinate status in that relationship will have to disappear."

These are not my boastful words ; I quote the considered language of the present Under-Secretary of State for the Colonies. That is the road, the bloodless, constitutional road to independence which the South African Party proposes to take. We abjure secession, with its dangers and futilities. We desire to remain in the British Empire, but not in a dependent or subordinate status. As a free, equal independent State in the British Commonwealth of Nations, which is taking the place of the old Empire ; as a free, equal sovereign member of the League of Nations, we wish to realise in peace and amity with the Empire and the world the destiny which Providence has in store for us.

We are as keen as the most ardent Nationalist to realise the future political greatness and independent status of the Union. The only difference between us is that we are travelling along a broad, well-marked, constitutional road which will assuredly bring us to our goal, while the Nationalists are bound to fail with their secession policy, just as they failed with their independence deputation to the British Government last year.

Surely this continual girding and gibing at the British Empire and the League of Nations is dangerous arrogance. This Nationalist policy of truculent isolation leads nowhere except to disappointment and trouble.

The South African Party is out for sovereign status for South Africa. So far from surrendering any of its rights to the League of Nations or to any Council of the Empire, it is for the fullest development and assertion of those rights.

But it recognises gratefully that we are members of the British Commonwealth, and of the great body of civilisation represented by the League of Nations. It recognises also that the old order of State isolation and the rule of the strongest, which followed from it, is passing away. It sees a new world order arising, under which States will agree to peaceful co-operation and mutual protection, as do citizens in a State, and so make wars unnecessary and illegal.

It finds in both the new British Commonwealth and the League of Nations the beginnings of this new order of peace and justice, consultation and co-operation. And it wishes South Africa to be

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associated with her sister nations of the Commonwealth and of the League in endeavouring to make a success of this grand experiment, on which so much depends for the peace and welfare of the human race.

In all this there is no risk that the interests of South Africa will be sacrificed for external interests. For neither the constitution of the League nor of the Empire demands any action from us which we do not ourselves freely choose to take, either through our Parliament or our Government. No majority vote can bind us.

The international system now arising both in the League and the British Empire is not one of compulsion, but of free discussion, conference and consultation among the nations, and no nation is bound to take any action without its own free consent given in accordance with its own constitution. That is the written constitution of the League of Nations, and that is and will remain the practice of the unwritten British constitution.

As regards our Imperial relations especially, the South African Party favours the development of the periodic conference system between the various Governments of our Commonwealth with a view of removing possible causes of friction and misunderstanding, furthering the interests of the Commonwealth and its component States, and discussing workable ideas of common policies. We are opposed to closer union, either in the shape of Imperial Federation with legislative power, or an Imperial Council with executive power, in derogation of the status of the Dominions. But, while leaving the legislative and executive rights of the Dominions intact, we favour the round table or conference system for discussion and consultation between the Governments in regard to the common interests and policies of our Commonwealth. This is our Empire policy, and it is utter nonsense to call this Imperialism.

This statement of General Smuts's views was countered some days later by another Nationalist manifesto in which the Nationalist theory of independence was set forth with much elaboration in a form suggestive of theological disputation. The following extracts\* will show the nature of this document. The most important points that emerge from it are:—The admission that the Union has now in theory gained a position of complete equality with the United Kingdom; the contention that this involves the right on the part of the Union by constitutional means

\* *Rand Daily Mail*, Dec. 15, 1920.



## South Africa

to separate itself from the United Kingdom ; the declaration of intention to submit this single question of secession to the voters by means of a referendum ; and the objection expressed to South Africa's taking part in any Imperial Conference for the purpose of discussing the relations between the different parts of the Empire, on the ground that any such conference may have the effect of retarding the attainment by the Union of full sovereign independence.

(1) Every nation has, through providence of the Almighty, an inborn and inalienable right to develop itself and through the necessary measure of civilisation obtain its sovereign independence, and thus become of age.

(2) The only and the highest freedom for a nation which is of age is its own freedom—that is to say, the right to fix its own form of government and, if need be, to modify or alter it.

(3) A nation therefore does not really become of age unless it enjoys sovereign independence separated from any other nation.

(4) The United Kingdom, having become wise as the result of the American War of Independence and acting on principle No. 1, has acknowledged for more than 80 years already the right of a British colony with self-government (and therefore so much more of the Dominions) to separate in a peaceful and constitutional way from the United Kingdom. In the words of the British Minister, Mr. Bonar Law, the British connection does not depend on England, but on the will and wish of the Dominion itself.

(7) The will and desire of the Dominion of South Africa must be expressed freely and without hindrance in a recognised constitutional political manner—*i.e.*, by the enfranchised citizens of the Union. Common sense and statesmanship indicate that the question of separation (secession) must not be hurried or forced, but that, when the proper time arrives, this question shall be specially referred to the people—this question alone, without the addition of any other question—in order that the voters may express themselves on the matter and give their decision at the polls specially and only on this matter. If a decided majority of the voters expresses itself in favour of separation, then it can be said with equity that the Dominion desires it.

(8) The right of secession is an ever-existing and lasting right until separation has finally been achieved.

(10) Our Union is now, in theory at least, absolutely and in

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every way on the same footing as the United Kingdom; in practice and reality this equality has by far not yet been achieved. But in any case it is clear that the unwritten British Constitution, according to which the British Parliament acts (and the British Parliament passed our written Constitution of the Union as an ordinary British Act), grants us this.

(13) The British people can undoubtedly alter its Constitution as it wishes, and has also done so in the past. A constitutional monarch is one who carries out the wishes of his people.

(14) If we therefore have equality with England, then, without taking into consideration the already long-existent rights of secession, the King must, as a constitutional King, carry out the wishes of the people of the Union, even if that desire is that the people of the Union no longer wish to have a King.

(15) Therefore, as we are on an equal footing with the United Kingdom, it follows that we are fit to obtain and enjoy sovereign independence. It is absurd to state in one and the same breath that we enjoy equality with England, but that we are unfit and unqualified for sovereign independence.

(16) The objection that the Union of 1910 was a holy alliance between the Boer and the Briton does not hold. It simply meant the unification of four already existing British Colonies, and the motive was plainly economical difficulties. It would be just as absurd to state that the Federation of Canada and Australia was a holy alliance between sections of the population. No one denies the right of freedom of Canada or Australia of separation. Why, then, should only South Africa be placed in this disadvantageous position?

(17) Pending the realisation of our national ideal—namely, sovereign independence for South Africa, separated from the United Kingdom or/and the British Empire—we must take steps to gain equality with England in every practical manner and in reality.

(18) There are only two ways. As the famous Joseph Chamberlain said, the Dominions and United Kingdom must either separate from each other altogether, or otherwise be brought closer and be bound together. There is no midway. The position cannot be a stationary one.

(19) Respecting the huge, flattering and subtle efforts which are being made to draw us closer together, the danger of this must be clear to the population of the Union. The "see the war through" policy taught us a bitter lesson. No Dutch Afrikaner says "We choose Chamberlain's alternative of total secession."

(20) Therefore we must be careful not to do anything by means of negotiations with England, or in connection with Imperial or any other conferences, or in whatever other manner which in any way



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will bind or retard our free sovereign national desire in the Union. The sovereignty of the wishes of our people must remain unattacked and inviolate.

(21) In principle we have absolute equality with England (United Kingdom). That is fixed, and no Imperial Conference or Constitution is necessary to confirm or to explain or to promote it. Nothing further is necessary, but our practical action here in the Union is to make that equality real. Therefore there is, as far as we are concerned, no necessity for the Imperial Conference of 1921 (Constituent Assembly to determine Imperial Relations).

South Africa. December, 1920.

## NEW ZEALAND

### I. POLITICAL

**E**CONOMIC rather than political matters have formed the chief theme of parliamentary discussion in the session just ended, and public interest in both domestic and external politics is at a very low ebb. In the new Parliament farmers and farming interests predominate; Mr. Massey has a large majority over all possible opposition, and the events of the session have emphasised his great personal ascendancy. While the Reform Party is solid and silent, the Liberal Party seems to be definitely breaking up. It suffered a severe blow in the death of its leader, the Hon. W. D. S. MacDonald, on September 1, and the newly elected leader, the Hon. T. M. Wilford, has not been able to retain the support of all members of the already weak party. Mr. MacDonald, without the dominating personality of Seddon, or the financial reputation of Sir Joseph Ward, was a trusted safe leader, and personally a most popular member of the House. It is significant that the by-election resulted in the return of a Reform candidate by a large majority.

It was not long before the Labour Party questioned Mr. Wilford's right to the privileges and title of Leader of the Opposition; but Mr. Speaker ruled that Mr. Wilford had the allegiance of the largest party in Opposition. How long he can retain that position is doubtful, for the Liberals have given no indication of any constructive policy, and Labour is very virile, while there has been some concerted action by a composite group consisting of two or



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three Reformers, half-a-dozen Liberals and the three or four independent Labour members.

With a feeble Opposition and a docile following, Mr. Massey has been able to command the House at all times, and has had no difficulty in getting his measures through. The only effective opposition and criticism has come from the small group of Labour members, who have been unsuccessful, however, in attracting support except, on occasion, from the independent Liberals. At different times the Labour Party has emphasised its protests by stone-walling, even in the last days of the session, when all members were anxious to get home, and most had important business at the races in Christchurch. An Act authorising the repeal of certain War Regulations while others remain in force was fought by the Labour members as class legislation directed against trade union activity; the Masters and Apprentices Bill, which provides for the immigration of boys and their apprenticeship to farmers, was challenged as an extension of "indentured labour"; and the opposition to imported labour for Samoa was continued. In addition, the Government, and especially the Prime Minister, was constantly heckled on economic subjects—the various strikes and the butter subsidy in particular—and an amendment of the Arbitration Act designed to allow the registration of "guilds" or loyal unions aroused much bitter, though vain, opposition in the last week of the session.

Space does not permit an examination of the details of the Government's domestic programme, which has, however, proved to be very modest.

The Immigration Act, 1908, was passed substantially as introduced and as indicated in a previous article, and regulations are now being passed for the purpose of giving effect to its provisions.

# External Affairs

## II. EXTERNAL AFFAIRS

IF interest in domestic politics is at a low ebb, interest in Imperial and foreign affairs is almost non-existent. Parliament devoted hardly any of its time to matters outside those of domestic importance, and the indifference of Parliament is a true reflection of public indifference. The controversy over the introduction of indentured labour into Samoa has died down, and though the Labour Party raised another protest in Parliament, the proposals of the Government went through with little trouble. There has been, however, a good deal of resentment expressed in the Press of the country against the cabled account of an article written by a Mr. Sandes, one of the correspondents who accompanied the Prince of Wales, and who, in the course of a few hours at Samoa learned of the ill-success of New Zealand's administration. His information was obviously derived from the white planters, who were apparently incensed at the prohibition of alcoholic liquors being extended to them as well as to the natives.

One noticeable reflection of the lack of public interest in Imperial and foreign affairs is the tone of the leading articles in our newspapers which deal with these problems. There is always an expository attitude, an attempt to explain to our people the views of some eminent writer or statesman at Home or in a foreign country and to educate us up to that point of view. The leading article is seldom an attempt to gather up the public opinion of New Zealand, to express what we feel and desire. For instance, the *Press* of October 15, reviewing the prospective renewal of the Anglo-Japanese treaty, is almost academic in tone as it discusses the various viewpoints, and states the need for a discussion of the subject and a clear expression of opinion; at the same time it laments the impossibility of Parliament finding time to discuss such matters.



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The New Zealand public is apathetic and preoccupied with domestic worries, and apparently is willing to leave all other matters in the hands of the Executive. Mr. Massey, moreover, is extremely doubtful as to the possibility of his attending the next Imperial Conference, owing to the urgency of domestic problems. It seems probable that the Dominion will be represented either by Sir James Allen, who has been absent from New Zealand for some time, or by Sir William Herries and Sir Francis Bell. There has been no discussion, in Parliament or outside, of the questions to be raised at the Conference, nor does there seem any recognition of the urgency of the problems that face the Empire. The same indifference is manifested towards both military and naval defence. Details of the contemplated programme of naval defence are not yet available. The new Governor-General, Lord Jellicoe, has had a warm reception in the Dominion, and the various branches of the Navy League are becoming very active; but one views with considerable doubt the dual *rôle* that Lord Jellicoe is called upon to play as representative of the King and expert adviser to the Government. The Labour Party here will not be slow to add to the difficulty of his position, and a change of government at Home might make the situation very awkward.

### III. DEFENCE

IN the last few hours of the session the report of the Defence Committee of the House of Representatives embodying the new Defence Policy and scheme of Military Training was laid on the table. It was not explained by the Defence Minister nor discussed by the House. This does not mean that it met with unanimous approval. Far from it. The advocates of sound defence who desired to call attention to its inadequacy were silenced by the bogey of Labour criticism, and by the suggestion that half a loaf

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was better than no bread. The essential details of the new scheme are thus summarised in the first issue of *The Citizen Soldier*, the organ of the National Defence League of New Zealand :—

(1) Continuance of Cadet training from 14 to 18 years on an improved and graduated basis ; (2) the establishment of a "recruit" or "general training" period in the 18th to 19th year of both fit and unfit youths (the latter with certain exceptions) ; (3) the reduction of the present Territorial age from 18 to 25 years to 18 to 22 years (including the year of "recruit" or "general training") ; (4) giving Territorials when posted for the reduced term an additional four days' training in camp, four less half-day parades per annum, and a reduction in the number of the evening drills of from 30 to 12 annually ; and (5) extra training for officers and N.C.O.'s.

The leading features are thus :—

(1) The training of unfits during the "recruit" or "general training" period (18th to 19th year).

(2) The reduction in the Territorial age, with additional training in the annual camps, and greatly reduced half-day and evening parades.

The first criticism that has been levelled in the Press at the scheme is that this training of unfits is—as the Defence Committee pointed out—"A National efficiency," and that therefore the Defence vote (of about £600,000 per annum when the scheme is fully established) should not be loaded with this charge. The second that under the new scheme "the future Territorial is to spend 47 days in camp in four years as compared with 28 days previously, plus 21 days to be added in the three subsequent years, while evening and half-day parades are to be cut down so as to be almost negligible."

It seems obvious that units with this amount of training could never take the field at short notice. In peace time the Territorial units in ranks other than officers, N.C.O.'s, artificers and specialists will be only half strength. The other 50 per cent. is to be formed from ex-trainees or returned soldiers.

A comparison between the Australian scheme, which has become law, and that of New Zealand, which has been "laid on the table" but not "hatched," is instructive. The Australian Territorial is to have 94 days' training in camp spread over four years, as against the New Zealander's



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47 for the same period. The main difference between the two schemes is that the Australian Territorial at the age of 18-19 spends 70 days in camp, the New Zealander only 14. In Australia half-day and evening parades are to be reduced by half, in New Zealand they are to be almost eliminated.

Another disquieting feature is that the scheme does not provide for the cost of aviation.

It looks as if in response to the general anti-militarist feeling the new scheme has sacrificed efficiency to economy.

### IV. THE INDUSTRIAL SITUATION

#### *Coal and Other Strikes*

FOR many months past the Dominion has been kept on tenterhooks by the constant recurrence of industrial difficulties, and the reputation of New Zealand as a land without strikes is vanishing. The Arbitration Act on which that reputation was founded has not worked smoothly during the last decade, and the events of the last few weeks will cause greater friction than ever. Passed by a Liberal-Labour Government in 1894, after the disastrous failure of industrial action in the maritime strike of 1890, the Act is clearly of Fabian origin, and fits in well with the policy of State Socialism pursued throughout the period of prosperity. Though the original intention of the Act was mainly conciliatory, its working came to approximate to legal fixation of wages, and while the administration remained sympathetic, the workers were well satisfied.

At the first suspicion, however, of a check to the long-continued prosperity of the Dominion, and a reflected check to the rising level of wages, there came a reaction against the Arbitration Court, which, reinforced by the renewed popularity of industrial action, soon developed into a definitely hostile movement in the trade unions. The Federation of Labour was formed on industrial lines,

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many of the strongest and most militant unions withdrew their registration under the Act, and a series of strikes began, of which the most important was the waterside workers' strike of 1913.

During the war and since, the main source of friction has been the coal industry, and within the coal industry, the working of the State Coal Mines. Like most mining districts, the coalfields of New Zealand are isolated, unattractive regions where decent conditions of livelihood and home life are not easy to obtain. Housing and transport are perennial problems, and the miner (and his family) are cut off from many social and educational advantages. But the series of irritation strikes from which the Dominion has suffered in recent months have not been based on economic but rather on political grounds. The output of coal has been steadily falling from 2,237,135 tons in 1916 to 1,647,848 tons in 1919, and while this loss is due in large part to shortage of labour and difficulties of transport and machinery, it has been aggravated by the attitude of the miners. From the beginning of March, 1919, till the middle of September, 1920, a go-slow policy was in operation, and within the last few months there has developed the policy of "an irritation strike" four or five days in each fortnight. The pretexts have been mostly trivial, varying from a protest against certain miners refusing to pay a levy in aid of the Broken Hill strikers, to a protest against the action of a railway guard in ordering men out of a first class carriage when, the miners maintain, there was no sitting room in second class compartments. On this last occasion Mr. Massey issued an ultimatum that if work was not resumed immediately and steadily, he would close the State mine. The men, having returned to work before receipt of the telegram, decided to take no action in the matter! A statement by Mr. Arbuckle, secretary of the Miners' Federation, intimated that the main cause of the irritation strike policy was not the Government's treatment of conscientious objectors, though "in future something



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may be done " in this matter, but the difficulty over the Broken Hill levy. The quiet admission of direct action for political aims is significant.

The main trouble, however, has been on the Auckland field, where the miners at Huntly struck from September 6 to 26 to enforce their demands for better transport facilities. The main demand was for an extension of suburban passenger rates (which are in force only in the four centres) to those miners who live at Huntly and travel to the mines by train. As the dispute developed there was much recrimination concerning the housing conditions near the mines, and a gradual extension of the claims to cover goods traffic. The question would probably never have arisen had not a similar demand by the State miners on the West coast been successful. The Railway Department argued that what had happened on the coast was that the Mines Department, as owner of the mines, subsidised the Railway Department to carry the miners at lower rates. Thereupon the mine-owners in Auckland were involved, and the dispute became triangular.

Just as the Huntly dispute was settled, fresh trouble occurred at the Pukemiro mine in the same district; the point at issue on this occasion being the union membership of certain enginemen, who in the event of a strike were wanted by the management to keep the mine from flooding. The dispute, which was at first local, became serious when the Miners' Federation took the matter up and accused the mine-owners of deliberately breaking the national agreement.

Meantime the whole Dominion was short of coal, domestic consumers were in difficulties, and public services were endangered. Auckland naturally bore the brunt of this shortage in a curtailment of its lighting, as well as domestic inconvenience and a stoppage of the tram services for a fortnight. Settlement of the dispute appeared to be in sight over and over again; but both sides were inclined to be quarrelsome. On October 17 the men were to

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have resumed, accepting an offer by the owners to refer the trouble to the National Disputes Committee ; but because of some delay the offer of the owners was withdrawn, and the Federation once more took the matter up, the quarrel being finally settled by allowing the enginemmen to become members of the Miners' Union on condition they were not called out during a strike.

Besides the coal strikes, there was a prolonged strike of the workers at the Colonial Sugar Refining Company's works at Chelsea, due largely to impatience at the delays of the Arbitration Court. The Colonial Sugar Company have a monopoly of the manufacture of this necessary commodity, and the prolonged stoppage of their works caused great scarcity, though brown sugar and even unrefined sugar was distributed.

On September 29 also a dispute arose on the water front at Wellington, when no labour was forthcoming to work the *Calm*, and as a result the employers locked out the rest of the men, and shipping lay idle for a week. On each of these occasions charges of "pin-pricking" were made by each side, and the possibility of the situation developing into a general strike was freely canvassed.

### *The Cost of Living*

MUCH interest has been taken for months in the prospective demand for the new season's output of butter and the consequent price of butter in New Zealand. Strenuous efforts were made to get a free market in Great Britain, and rival bodies of importers have been angling for the control of New Zealand butter. The C.W.S. sent out agents to buy *en bloc* from the co-operative factories here, and then rival distributing agencies sent representatives to persuade the New Zealand farmers that the C.W.S. was really a Labour organisation controlled by extremists who were out to overthrow the constitution and the Empire. But the most interesting question all along



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has been whether the Government would allow the local price of butter to follow the export price. During the war the price of butter in New Zealand was fixed at 1s. 9d. per lb., and the new export price was 2s. 6d.

A Parliamentary Committee was set up on September 17, and after taking voluminous evidence reported on October 13. Much of the evidence went to show that, at the high prices now ruling for dairying land, the controlled price of butter meant that dairy farms were being run at a loss. Or, in other words, that those farmers who had recently bought land at inflated values were depending on a rise in the price of butter to pull them through. Nearly all this evidence was superfluous, and the Committee, as everyone expected, brought down a compromising and politic report which was accepted by the Government. They say that "in view of the fact that no restriction has been placed on the price of wool and other products of the Dominion, the Committee is of opinion that the dairy farmers are entitled to the full benefit of market prices for butter," and go on to recommend that enough butter be requisitioned at 2s. 6d. per lb. to supply the needs of the domestic trade, while the retail price is fixed at 2s. 3d. per lb. The cost of this arrangement is estimated at £600,000, which the Government is left to find; but the Committee report adversely on the proposal to find the money by means of an export tax.

The Government has adopted the report, and the £600,000 is being obtained by the imposition of new death duties estimated to yield £250,000, and from the Consolidated Fund. Such an action is clearly based entirely on political expediency—the farmer gets his full price, apparently the retail price for butter has not gone up as far as it might have done, and the consumer hardly realises that in subsidising himself out of taxation he is mainly putting money from one pocket to another, and in the process losing some of it down the waste-pipe of governmental administration. The speculative boom in the value of dairy lands receives another fillip which can only increase

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the disaster when the present temporary level of prices is readjusted; and the cost of living problem remains as before.

Under a War Regulations Act of 1918 the Arbitration Court was given power to deal with this cost of living problem by proclaiming a bonus to be added to award rates of wages from time to time as the cost of living warranted. This power, the Court, after consideration, declared to be mandatory, and not discretionary, and so bonuses have been declared every six months calculated upon indices of the cost of living supplied by the Government Statistician. The last bonus has been anxiously awaited both by the workers, on whom the cost of living has been pressing hardly, and by the employers, who anticipate a difficult period of reconstruction as prices begin to fall. The announcement early in November of a bonus of  $2\frac{1}{4}$ d. per hour or 9s. per week, added to bonuses already granted, was a surprise to most people, though many trade unions demanded more, and the Miners' Federation, which is outside the Arbitration Court, has lodged a demand for a 25 per cent. wage increase.

After the Labour stonewall on the Arbitration Bill had broken down, the Government added a new clause, making it clear that the power of the Court to grant a cost-of-living bonus is discretionary if the Court is satisfied that (a) it is "just and equitable to employers and workers in such industry or industries that the award should be amended," and (b) "that the economic continuance of such industry or industries will not be unduly imperilled by the effect of any such amendment upon the cost of production."

The Court at the moment of writing is engaged upon hearing evidence from employers and workers regarding the latest bonus, which in the meantime has been paid by many employers throughout the country. It is unfortunate that the Government Statistician has had to admit that during his absence the cost of living index number supplied to the Court has been calculated upon the average of the first and



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last months under review, instead of upon the moving average, and that the bonuses for that period should have totalled  $2\frac{3}{4}$ d. per hour instead of  $4\frac{3}{4}$ d.—an expensive mistake when one remembers that the total cost of the bonus is between £4,000,000 and £5,000,000.

Mistakes apart, the whole question of the bonus is being argued by a representative gathering of leaders on both sides. The Labour leaders argue that in any case the bonus lags behind the cost of living, and should be based on present rather than on past prices. The secretary of the Employers' Federation, in his opening speech, referred to the critical condition of industry in other parts of the world; admitted, in response to an interjection by the judge, that the employers objected to granting this bonus because they could neither pay it nor pass it on to the public; and proceeded to argue that, caught as we are in a vicious circle of rising prices, any further increases in wages at a time when world-prices appear to be falling would precipitate commercial failures and widespread unemployment. On the other hand it is argued that the bonus is a compensation for past rises in the cost of living, and that the point of entry into the vicious circle is at prices and not at wages.

For the employers a variety of evidence has been called, including that of the chairman of the Bank of New Zealand, who paints a gloomy picture of the financial outlook; and of various representative employers in both primary and secondary industries. The decision of the Court is reserved; but one feels, from the importance that is attached to the case, that the outcome will in any case shake the public confidence in the Court, for a confirmation of the bonus will probably be a great blow to many industries, while a reduction or revocation will arouse much discontent and strengthen the hands of those unionists who already scoff at the Court.\*

\* Since this article was written it has been decided by the Arbitration Court that the bonus is to be 3s. a week.

# Wool and Credit

## V. WOOL AND CREDIT

THE abnormal prosperity of the war period, following a long period of expansion and rising prices, tempted New Zealand into something approaching the violent land booms of earlier days, and the after-war period has been one of free speculation and fictitious prosperity. The generous prices realised by the primary products of the Dominion would have been sufficient to inaugurate a mild boom; but the finance policy pursued by successive Governments has undoubtedly aggravated the trouble. While we were enjoying unparalleled prosperity as a direct result of the war, not only the direct expenses of the war, but part of the great increase in administrative expenses, were met out of loans, so that the National Debt has increased from £92,000,000 at March 31, 1914, to £194,000,000 in 1920, and most of the increase has been in the unproductive portion of the debt. It is true that taxation was increased during the war, but the increase did not keep pace with the cost of administration, while the war expenses were met entirely from loans. Since the armistice much the same policy has continued, and the lavish expenditure of borrowed money in settling soldiers on the land and in buying houses for them has contributed not a little to stimulate the boom in rural as well as urban lands. Much of the speculation has been unreal, especially in the more progressive North Island, where lands change hands rapidly on payment of small deposits and arranged mortgages. All this speculation obviously depends upon not only a continuance of high prices, but a continual increase in the prices of primary products.

Despite warnings from financial men and economists, the boom continued merrily, and neither Parliament nor the public seemed to realise the danger ahead until the first



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wool sale held in Christchurch on November 16 was almost a fiasco. The catalogue, as usual with the first sale of the season, was not very large ; but there was a representative attendance of buyers from America, Britain, the Continent, as well as local firms. It was soon clear, however, that the overseas buyers would not operate ; and the great bulk of the wool was unsold, while prices came down below pre-war values. Other early sales have been postponed, and there is a widespread movement to persuade woolgrowers to hold their clips over for a few months, or even for a season or two. While this may be possible for the bigger farmers and station holders, the financial strain imposed on smaller men, and particularly on those who have just taken up land at inflated values, is severe. In the closing days of the session the Government took power to come to the aid of woolgrowers by making advances against the clip ; but the official produce committee has recommended that, for the present, the financing of the farmers shall be left to the agency companies and the banks.

But in the meantime the first influence of the industrial depression at home has reached New Zealand, and has contributed very largely to the embarrassment of the banks. Moved by the difficulty of obtaining goods in the last few years and the abnormal demand which was caused by the speculative boom following war prosperity, importers have been ordering freely, and now find that British and American manufacturers have dumped goods in enormous quantities and at highest prices upon this apparently eager and unsuspecting market. For the first nine months of 1920 the imports have amounted to the extraordinary figure of £43,000,000, as against £21,000,000 in a similar period of 1919. All classes of goods seem to have participated in this general movement ; but two groups of commodities are of peculiar importance because of the reaction dumping will have on our local industries. Comparing the first nine months of 1920 with a similar period in 1919, the imports of boots and shoes have risen from £262,772 to £937,313,

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and the imports of woollen goods from £367,769 to £1,691,224.

The natural result of these importations is a considerable embarrassment to merchants who are unable to find the credit to lift their consignments. In every port of New Zealand there is considerable congestion; both free and bonded stores are full, and the delay in claiming goods by causing loaded trucks to be used as temporary stores is complicating the railway transport problem. At the same time, the banks appear, both by the statements of their responsible officials and by their policy, to be thoroughly scared, and they are not prepared to go very far in financing merchants at a time when merchants are in urgent need of greatly increased credits. If the Arbitration Court revokes the bonus of 9s. per week, the reduced purchasing power of the great mass of the people will cause an added difficulty to retailers, who are hard put to it to find ready cash.

The financial situation is undoubtedly difficult, and it is complicated by the close connection which most of our banks have with Australia; a connection which before now has proved in times of stress to be the Achilles heel of our credit system. The compulsory provisions of the latest Government loan of £6,000,000 for repatriation, although compulsion is as yet confined to threats, are proving very irksome to the business community at a most difficult time. Several firms who have urgent need of all their resources for the development of their business have taken up their quota of the loan at par and sold again in the open market at a considerable discount. Similarly local bodies are finding it almost impossible to raise the money they require for development.

While the immediate difficulty undoubtedly calls for very careful handling, one is inclined to doubt if the pessimism of Mr. Beauchamp is wholly justified. It is true that wool has fallen heavily, and that there is a similar slump in the prices of many other of our chief products; but butter is in strong demand, and meat is also firm.



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We must anticipate a decline in prices and a reduction of the fictitious prosperity brought to us by the war ; but our resources are far more varied now than ever before, and there is good reason to believe that, once the panic stage of the crisis has passed over, the world shortage of animal products will become apparent and New Zealand therefore should suffer less than most other countries from the coming depression. Those who have embarked on new businesses, and particularly those who have taken up land at high speculative prices, must bear the brunt, for in the end "someone must hold the baby" ; but with sound government and careful banking New Zealand should come through the next few years with flying colours.

It is important to note in passing that during the session a Bill was passed which greatly strengthened the position of the Bank of New Zealand by transferring £1,250 000 (half the accumulated profits) from reserves to capital. The transfer is effected in such a way as to increase the State's share of the bank's capital from one-seventh to one-third, at the same time as the shareholders are liberally treated. There is no doubt of the strength of the bank's position, and, granted careful government, the Dominion has no cause for alarm.

New Zealand. December, 1920.

# IRELAND

## I. THE BACKGROUND

THE history of Great Britain and Ireland shows how completely a political union may succeed in one case and fail in another. In various respects the Scots or the Welsh have remained as different from the English as the Irish have done. But the devotion of all three to the British Commonwealth exceeds that which they feel to England, Scotland and Wales. In the great mass of the Irish people political union has developed no such affection for the larger community in which they are merged. Their final devotion is still to Ireland.

The ultimate reason for this difference is, of course, due to the fact that the English, Welsh and Scots live on one island together and the Irish on another. Common ideas have constantly vibrated through the first three, though without destroying their racial distinctions. As with instruments attuned to each other, their strains though different result in harmony. The seas arrested this flow of vibrations between Great Britain and Ireland. And, to change the metaphor, the Island of Britain has since the Roman Empire stood like a wall between Ireland and Europe. Irish life has been like a plant grown in the shade, and its native beauty and charm has been "sicklied o'er with the pale cast of thought." Specific features of primitive society have outlived their age and become ingrained in the character of this people. And these in turn have reacted on the British in Ireland. To understand the problem it is necessary to trace cause and effect. The living



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have little to gain from attempts to apportion blame to the dead. Nor is the Anglo-Irish problem explained by assuming with Froude or Paul Dubois some particular strain of folly or wickedness inherent in the people of either country. It is seldom that a situation such as exists to-day can be laid to the exclusive charge of one of the parties, and in this case, too, there have been contributory faults on both sides.

The backward condition of Irish society made it powerless to resist the first Norman invaders. They were rapidly absorbed as chiefs in the tribal system, and strengthened thereby Ireland became a menace to whatever authority was sovereign in Great Britain. Hence a succession of reconquests by British forces under leaders who sought to appropriate Irish lands as their personal reward.

From the time of Henry VIII these conquerors were Protestants. After the Reformation the Episcopal Church was established in Ireland and endowed with tithes payable by the Catholic peasantry. The spiritual movement started by Wycliffe which transformed the religious life of England, Scotland and Wales had left Irish Catholicism intact. In Ireland the conflict of creeds is not the cause of the malady, but merely a symptom so violent as to complicate the essential disease. England drifted into holding down a backward, hostile and Catholic peasantry by a garrison of Protestant landowners distributed all over the country, and supported by Protestant colonies, of which the most powerful and permanent was that founded by Scottish Presbyterians in the North-East.

She was thus committed to a policy in conflict with her own institutions, the implications of which she scarcely began to grasp till the nineteenth century. The result has been what it would be in Kenia, if England relied on the planters to hold that colony.

From the days of Edward I the conquerors had a parliament of their own, to which in the eighteenth century only members of the Episcopal Church were admitted. This

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Irish parliament enacted a series of laws designed to exclude the Catholic majority from all political power and to rob them of most of their civil rights. Every obstacle was put in the way of their holding land or of educating their children. The principle of conquest upon which their tenure of land was based was confirmed and reflected in the statute law. In Great Britain the landlord works in an agricultural partnership with his tenants. He provides and maintains buildings, gates and other improvements, and thus finds the greater part of the capital required in the industry. He even shares the economic rent, for the "prairie" value of the land is seldom rack-rented. The Irish tenant was required to provide all the improvements, including his own dwelling. But a rack-rent was exacted by putting the tenure to auction at the end of the year ; and if the existing tenant was outbid, he lost the value of all his improvements. The landlord was often an absentee, and if his agent went bankrupt or absconded with the rent, the tenant was liable to pay the rent over again. In England the landlord let farms at a moderate rent. In Ireland he let only land at a rack-rent. The system lasted till well past the middle of last century.

A population crushed by overwhelming force resorts to fear as its last weapon. It was thus that the African bushman poisoned his arrows. So the Irish peasantry never abandoned the habit of murder which is common to most primitive societies. The agents who extorted rents and tithes for absentee landlords, parsons and bishops went in fear of their lives. As Russia was an autocracy, so Ireland was an oligarchy tempered by assassination. There has never in Irish history been any long period wholly free from some epidemic of agrarian murder.

Discontent, however, was not confined to the Catholic peasantry. It was shared by the Protestant colonists of the north-east whose industries were discouraged in the interest of their British competitors by the commercial policy of the larger island, and further aggravated by laws



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which penalised Nonconformists. They were also obliged to pay tithes to the Episcopal Church.

The Irish Parliament, depending as it did merely on one part of the Protestant minority, leaned on British support. But none the less it resented the right, which the British Parliament asserted, to legislate for Ireland over its head. It was always in tacit antagonism to the Irish executive which took its orders from London. It strengthened its position by admitting the Nonconformists to political rights, and when Great Britain was brought to her knees by her own Colonies in alliance with France, the Irish legislature forced that of Great Britain to disclaim authority over Ireland. The executive still remained subject to the British executive, but could only obtain supply and enact necessary laws by consent of the Parliament at Dublin. In result all government was paralysed in Ireland. When Europe was convulsed by the French Revolution and Great Britain at death-grips with France, Nonconformist elements in Ulster, who were still bitterly hostile to Great Britain, coalesced with Catholic rebels. In alliance with France, their leader, Wolf Tone, raised a rebellion, which, before it was suppressed, had developed into a sanguinary struggle between Protestants and Catholics. The existing system had collapsed. The cure applied was that which had succeeded with Wales and Scotland. Ireland was incorporated with Great Britain in one executive and legislative union.

A few years later, while England was still in the throes of the struggle with France, the occasion was seized by Robert Emmet, who got into touch with Napoleon and raised a second rebellion. It was easily suppressed, and Emmet was hanged. But Tone and Emmet were enshrined as the martyrs of Irish nationalism. Their example remained to hallow future attempts to use the hour of England's weakness to throw off her yoke.

The union of 1800 was effected partly by virtue of a pledge given to the Catholics that Parliament would be asked to remove their disabilities, and admit them to the

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legislature. That promise was not fulfilled till 1829. The Union was thus made odious to the Catholic majority for three decades. When their leader, O'Connell, was at length admitted to Parliament, he gave them the repeal of the Union as their watchword. Thenceforward the idea that their existing place in the system was only to be used as a means to get out of it became a tradition. As the population of England grew while that of Ireland declined she retained a representation out of all proportion to her relative numbers or wealth. But this strength was little used to secure legal and social reforms. She never became incorporate in the larger unit as Wales and Scotland had done. To the majority of Irishmen Ireland loomed larger than the whole United Kingdom.

The abuses of the Irish land system continued to yield periodic harvests of agrarian crime. The repressive measures, to which Government was forced to resort, further tended to alienate feeling. Besides the reform of abuses, Ireland, like India, was in need of constructive measures. But paternal administration was contrary to the theories of an age dominated by the Manchester School. The peasantry remained backward, ignorant, and reckless. A progressive extension of large grazing farms restricted the area available for cultivation. Potatoes were their staple, and relying on a crop subject to disease, which cannot be stored for more than one season, the population had increased by 1846 to over 8,000,000. With the failure of the crop in that and the following year the people perished by hundreds of thousands. Then began a migration to America, Canada, Newfoundland, Australia and New Zealand. The poison of the Irish question was felt wherever the English tongue is spoken except, perhaps, in South Africa. The population was reduced to about 4,000,000, and the migratory habit thus created has since kept it at about that level.

Government was at length awakening to Irish necessities. But just at this time another factor began to tell. If the



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English, Scottish and Irish Parliaments had been left to deal with the separable affairs of the three kingdoms, and a federal assembly had been created to legislate on matters common to all, the history not merely of the British Commonwealth but of the whole world would have been different. As it was, one cabinet and parliament were charged with duties for which by the middle of the nineteenth century at least four were needed. When the will to meet Irish needs began to inspire Parliament, time adequate for the task began to fail. Some substantial reforms were, however, effected, though far too slowly. In 1869 the establishment of the Episcopal Church was abolished. In the early eighties farmers were given security of tenure, though the system of dual ownership gave rise to incessant friction. When Mr. Gladstone had failed to carry Home Rule, the Conservatives resolved "to kill the movement by kindness." Mr. Balfour, as Irish Secretary, introduced the constructive and paternal system which should have been applied in the earliest decades of the Union. In the closing years of the century measures were initiated for transferring the owners' right to the farmers, which in the greater part of Ireland removed the evils of the previous system. Though suspended with extraordinary levity by Mr. Birrell, they are now being carried to completion. These measures, together with a return of prosperity to intensive agriculture due to world causes, laid the foundations of the great movement which, under Sir Horace Plunkett, has made Ireland an example to the world in the field of co-operation.

The success of this movement shows how able the Irish are to help themselves when given a chance. The other reforms mentioned were mainly the work of a Government essentially British. But had Ireland as well as Scotland and England retained Governments competent to deal with the different interests appropriate to each, the reforms would all have been made by Irishmen for themselves, and much more quickly. They would in the process have

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come in contact with facts, have learned toleration by many mistakes, and have fully acquired the habit of mind which comes with the exercise of responsible government. An inveterate belief in the efficacy of force is the fruit of her tragic history, and this surely she would have unlearned. As it was, she obtained from an over-centralised union the reforms she needed too late, and then without learning the lessons which the discipline of meting out justice between various sections of her own people would have taught. We have asked Irishmen of all parties what would have happened had Ireland in a genuine federal system acquired control of all her separable interests like Tasmania or Quebec. To this question we have always been given the same answer, that had this been done forty, twenty or even ten years ago the Irish question would now be a thing of the past. "Verily, verily, I say unto thee, when thou wast young thou girdedst thyself, and walkedst whither thou wouldest : but when thou shalt be old, thou shalt stretch forth thy hands, and another shall gird thee, and carry thee whither thou wouldest not."

While the policy of union has failed in Catholic Ireland, with the Protestants of the North-Eastern counties it has met with definite success. As the soil was poor so the native inhabitants were few and easy to displace from the part of Ireland most exposed to attack from Great Britain. The colonists brought their customs with them, and by sheer force of character imposed them on the landlords. The "Ulster custom" meant that tenants were entitled to compensation for improvements. By encouraging good farming it served the interests of landlord as well as of tenant. The principal industry, however, was textile, and the Union once for all settled the quarrel of the Irish weavers with those of Great Britain. The industrial revolution which began to make itself felt at the time of the Union tended to favour manufacture at the cost of farming, especially when free trade was adopted for the whole United Kingdom. Free trade meant that workers in the



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factories were to be fed from the cheapest food raised on the virgin lands of America. In the eighties the profits of agriculture in the United Kingdom were reduced to a minimum. Prices favoured the industrial as compared with the agricultural districts of Great Britain. The manufactures of Ulster flourished while farming languished in the rest of Ireland. In Ireland depopulation was intensified by defects in its land laws.

Religion served to intensify the contrast. In the eighteenth century autonomy for Ireland meant the rule of the Protestant minority. The Catholic emancipation reversed this position. Under the Union the North-Eastern counties of Ireland were thus bound to Great Britain by ties of business and religion as well as of race. In the course of the nineteenth century they became in effect as much part of the United Kingdom as Scotland or Wales. In their mutual relations Ulster and the rest of Ireland have points of resemblance to Ontario and Quebec in the time of Lord Durham.

The political creeds which have long struggled for the mastery in Ireland are three. There is first the creed of Unionism, professed by the minority mainly located in Ulster, who feel themselves as much citizens of the United Kingdom as the people of Great Britain. In the next place there are those who wish Ireland to remain in the British Commonwealth, as Newfoundland has done, but not as a part of the United Kingdom. Their methods are constitutional. Until 1916 a majority of the Irish people professed what may for convenience be termed the Nationalist creed. Lastly there has always been a section, till 1916 smaller in Ireland than America, which looked on England as a mortal foe, on the British Commonwealth as a thing to destroy, and on physical force as their necessary means. If they welcomed any measure of autonomy won by constitutional action, it was only as a stepping-stone to final separation, to be wrested from England in her hour of weakness by weapons of force.

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The events which have almost destroyed the Nationalist Party, and converted a majority in all but the four North-Eastern counties to Republican methods and ideals must now be narrated. In the early nineties Douglas Hyde, a Unionist by politics so far as he had any, started a League for the promotion of the Gaelic studies of which he was professor. The League quickly developed into a movement not merely for studying Gaelic literature, but also for the revival of Gaelic as the national tongue. It gave birth to a wonderful literature which, though written in English, drew its inspiration from Gaelic legend. An association which aimed at substituting Celtic games for modern athletics attained to formidable numbers. In Dublin the names of streets were inscribed in Gaelic and in London Irish clerks collected after hours in the City to study the tongue. As in Germany, nationalism has reverted to tribal mythology. Plato was perhaps right in thinking that the study of legend may affect conduct.

Though the Gaelic League was founded with no political intention, it prepared the soil in which Arthur Griffiths, a journalist, planted Sinn Fein in 1905. His policy was based on the Act of 1783, by which Parliament had for ever disclaimed all right to legislate for Ireland. Griffiths proposed for imitation the course adopted by Hungarian patriots in ignoring the claims of Austria. His methods in their inception were similar to those since adopted by Ghandi in India. Sinn Fein, literally construed, means "We ourselves," and its implications are "Mind your own business, and leave us to ours." Its nearest English equivalent is "self-determination." With no conscious control of her own affairs Ireland thus developed an extreme particularism which blinded a great part of her people to the paramount issues of the great war.



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### II. THE CONSTITUTIONAL MOVEMENT FOR HOME RULE

ULSTER, a term we may use to denote the Protestant community in that province, was sternly opposed to Gladstone's Home Rule Bills. Gladstone, who could never understand how the Union has changed the attitude of the North, initiated the policy of reversing that measure without reference to Ulster opinion. His second failure made Ulster feel that even when the Nationalists held the balance of power in the Commons their position in the Union would always be secured by the Lords until the electoral pendulum had time to swing. But when the election of 1910 left the Government at the mercy of the Irish vote, Lloyd George conceived the idea of securing its support in abolishing the power of the Lords to veto Liberal proposals. So in 1912 Ulster was confronted by a measure which when thrice passed by the Commons would place the Protestant community with all its industries and wealth under the control of the rural and Catholic South. The measure had been drafted in close consultation with the Nationalist leader. The idea of giving similar powers to a Scottish, English and perhaps a Welsh provincial Government was considered and rejected on the ground that an English legislature would be normally Conservative and therefore in conflict with a Liberal Government for the United Kingdom. The alternative of excluding Ulster was also considered but rejected, a majority in the Cabinet deciding that the measure when passed must be enforced on Ulster. The Government felt themselves pledged to Redmond, and the measure was published without any attempt to consult or conciliate Ulster. Opinion there, which has always a Radical tinge, had shown signs of verging towards Nationalist ideals. The Cabinet's action checked and reversed this movement.

## Constitutional Movement for Home Rule

The expedient of leaving the two communities to produce a measure of joint autonomy, as in all the colonies, was left untried. The Cabinet had yet to learn that one habit of mind was common to the whole of Ireland—to the North as well as the South—an inveterate belief in the efficacy of force.

The Bill was published on April 11, 1912. Unionists held that the last election had turned on the veto of the House of Lords, and that Government held no mandate to deal with Home Rule. On July 27 Mr. Bonar Law and Sir Edward Carson pledged the Unionist Party to support Ulster in any steps it might take to resist the measure. On September 28 the Covenant was signed throughout Ulster and the drilling of regular forces began. Carson defended his action by the plea that he could not restrain the violence of his supporters unless they were placed under military discipline. His attitude in threatening the British Government with force was openly praised by Sinn Féin. The Bill was rejected by the Lords and passed again on July 15, 1913, by the Commons. Sinn Féin continued to applaud the methods of Ulster, in contrast to those of the Nationalists, as alone worthy of Irishmen, and on November 25 John McNeill, Professor of Gaelic in the National University, started the Irish Volunteers to "maintain the rights and liberties common to all the people of Ireland."

On March 5, 1914, the Bill was introduced for a third time in the House of Commons. In Belfast a provisional government was in readiness to function the moment that the Bill became law. At last the Government decided to shake its finger at Ulster and mobilised naval and military forces. On March 20 General Gough and other military officers at the Curragh resigned. The affair ended in the retirement of Colonel Seely, the Minister of War, and Sir John French, the Chief of the Imperial General Staff, and the Government's threat fizzled out. On April 24 the Ulster Volunteers landed 40,000 rifles and 3,500,000 rounds



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of ammunition at Larne. Unionist leaders had forces encamped in England, and at last the Government realised that a civil war was impending which would spread to the whole country. Abortive conferences followed between Liberal and Unionist leaders which served, however, to delay a conflict which would otherwise have begun in both islands some weeks before Germany was ready for her blow. She was, indeed, counting on civil war to paralyse British intervention.

On May 25 the Government passed the Bill, but promised if any compromise could be settled with Ulster to pass an amending Bill. Meanwhile the original Bill was not presented for the Royal Assent. On June 17 Mr. Redmond assumed control of the Irish Volunteers, now 80,000 strong. On July 24 the conference of leaders summoned by the King at Buckingham Palace broke down. Two days later arms for the Irish Volunteers were successfully landed at Howth ; but three people were killed and thirty-two wounded by the fire of soldiers on a crowd. The Ulster leaders hourly expected the signal to seize the public offices in Belfast.

### III. EFFECTS OF THE OUTBREAK OF WAR

THE sequel recalls that scene in the Castle of Front de Bœuf, where the Templar, de Bracy, and the Baron, each bent on his own violent purpose, are suddenly stayed by the blast of a horn from without, and rush to the battlements. Germany believed that its day had come, and England, knowing that freedom itself was at stake, accepted the challenge. So the word for which Ulster had waited was never sent, and Carson bade his forces prepare for battle in Belgium and France. The support of Nationalist Ireland was pledged by Redmond. The troops which had fired on an Irish crowd were greeted with cheers in the streets of Dublin.

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The event showed, however, that Redmond could no longer speak for Southern Ireland as a whole. When, on September 25, he appealed for recruits in Dublin, Professor McNeill and his party expelled him from the Irish Volunteers. Part of them followed Redmond and part McNeill. Redmond offered his part for the home defence of Ireland, and would no doubt have offered to send them to the front had he thought they would go. The offer was refused, and it is hard to see what else the Government could have done. To find soldiers for the front was a question of life or death for the country and its Allies; and it must be remembered that the Germans would have broken through at the first battle of Ypres but for the last few hundred men that French was able to put into the line. Carson could scarcely have maintained his offer of troops for the front had it been understood that Nationalist regiments raised to enforce Home Rule on Ulster were to remain in Ireland intact as recognised forces of the Crown, while those raised to resist Home Rule were perishing at the front. This did not, however, prevent Redmond from appealing to his countrymen to confirm the grant of Home Rule by enlisting in the British Army. To begin with, this appeal, backed by the heroic example of his brother, met with considerable response. In April, 1915, Redmond estimated that 25,000 Nationalist Volunteers had enlisted, and that 250,000 Irishmen were with the colours.

In September the Home Rule Act received the Royal Assent, but an Act was passed suspending its operation until after the war. In May, 1915, the Coalition Government was formed in response to the voice of public opinion, which demanded that all parties should unite for the conduct of war. Redmond refused office, doubtless believing that if he accepted more of his followers would secede to McNeill. Carson accepted, and his inclusion in the Cabinet is now quoted in Ireland as proving that the Coalition Government henceforward went into definite alliance with Ulster against Nationalist Ireland.



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In January, 1916, conscription was imposed on Great Britain. Its application to Ireland was successfully opposed by Redmond, who would otherwise have lost the whole of his following. Hugh Martin, the *Daily News* correspondent, states that Sinn Fein "had been on the verge of extinction in 1914, and in 1916 its adherents were still few enough, though the finances of the party had certainly been improved in a somewhat mysterious way from American channels."\* Its organisation was distinct from that of the Volunteers who followed McNeill. That the latter were in collusion with the German General Staff is not in dispute. On April 20, 1916, Casement attempted to land arms from a German vessel, and was captured. On learning his failure, McNeill tried to call off the rising planned for Easter, and to a great extent succeeded. One group, however, broke away, and coalesced with another not under McNeill's control. The first of these groups was lead by Pearse, the second by Connolly, a Labour leader in Dublin. Pearse was a teacher, the son of an English maker of tombstones, a man of strongly religious bent, who prepared himself to oppose the Fenian movement by revolver practice. The son was an enthusiast whom his friends describe as a "man of Christlike character." He never expected the rebellion to succeed, but believed that his own death would convert Ireland to the Republican cause. Events have proved that his reading of Irish psychology was sound. Connolly, a man of admitted ability, had, with Larkin, led the Dublin strike in 1913. After its failure he formed a body called "the Citizen Army," largely composed of retired soldiers. His aim was a workers' republic, and his followers were Socialists first and Nationalists afterwards.

On Easter morning, April 24, Pearse and Connolly, with a limited number of followers,† seized the General

\* *Ireland in Insurrection*, p. 35.

† The official communiqué on May 2 gave the number of prisoners, after the surrender of the rebels in Dublin, as one thousand.

## Effects of the Outbreak of War

Post Office and other public buildings, shot at sight all who resisted them, and started a Republican Government. The leaders were, of course, responsible for what followed, but that is a different thing from saying that they authorised and ordered everything done. There was little discipline or control. Everyone in uniform became a mark for the rebels. Wounded and defenceless soldiers from France were, it was said, among the victims. Public opinion in Dublin condemned the outbreak, and a number of elderly citizens rendered signal service against the rebels. On April 27 Sir John Maxwell was sent to Ireland with plenary powers. On the 29th the leaders surrendered. Sporadic risings in various parts of Ireland were easily suppressed. The Irish Secretary, Mr. Birrell, resigned, and Lord Hardinge's Commission reported that inaction on his part was mainly responsible for allowing the movement to come to a head. The Easter Rebellion was the practical result of the failure to suppress the organisation of armed forces in Ulster in 1912. That neglect of their first duty had obliged Government to condone the subsequent organisation of more dangerous forces in the South not amenable to control, even by their recognised leaders.

In the three weeks following the rebellion the leaders were tried by court-martial, and fourteen were executed.\* At the front discipline required that soldiers absent from duty should be shot, and to leave unscathed men who had conspired with the enemy to slay their own loyal compatriots was out of the question. The number executed was moderate, but the moral effect in the eyes of the world was largely destroyed by a British officer, Colthurst, who murdered Skeffington, a pacifist whose only crime had been opposition to recruiting. Colthurst was found to be insane, and was sent to an asylum. The executions, coupled with this story, sent a flame of anger through the

\* See *The Grammar of Anarchy*, by J. J. Horgan, p. 10. The number given by Major Childers is sixteen.



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whole Irish world. In Canada recruiting amongst Irishmen came to a standstill, and an Irish minister in Queensland declared that while the Germans had shot only their enemies, like Miss Cavell, the British had been guilty of shooting their friends. All this, it is said, resulted from the cold-blooded action of the Government in spreading the executions over three weeks. The effect would have been different, it is urged, if the leaders had been shot at once in a batch. But in that event Government would certainly have been blamed for killing prisoners without trial. In Great Britain the outbreak was wrongly attributed to Sinn Fein. The mistake helped that organisation to bring the whole revolutionary movement under its ægis. But control passed from the intellectuals to leaders of a different type.

In May Asquith visited Dublin and returned convinced that the system of government from the Castle had broken down. Lloyd George was asked to negotiate with the Irish leaders. Redmond agreed to negotiate on condition, it is said, that if a settlement was arrived at with Carson, ~ Lloyd George would resign unless the Cabinet carried it out, his reason being that Lloyd George was so necessary to the Government that the threat of his resignation would ~ ensure this result. A settlement was then formulated under which Redmond and Carson agreed that Home Rule should come into immediate effect for the 26 counties, the six North-Eastern counties to remain as they were till after the war, when the final settlement of Ireland should be considered by an Imperial Conference in conjunction with the whole Imperial question. Meanwhile the Irish mem- ~ bers were to remain at Westminster as at present. Carson, who was still a member of the Cabinet, went over to Ulster and successfully hazarded his great influence with his followers by inducing them to accept the agreement. He returned to London to find it wrecked, partly by a misunderstanding, partly by the refusal of the Cabinet, which had sent him to Ulster, to allow Ireland, pending the final

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settlement, to retain the existing number of its members at Westminster.

The misunderstanding had reference to the question whether after the war, when the time for a final settlement had arrived, Ulster undertook to accept the decision of the Imperial Conference as ratified by Parliament. Redmond believed that Ulster was bound by the agreement to accept this decision. Carson understood that Ulster was never to be made subject to a parliament at Dublin except by her own consent. Asquith settled the question so far as his Government was concerned by declaring that "we recognise and agree in the fullest and sincerest sense that such union can never be brought about without the free will and assent of the excluded area." But Redmond always refused to accept this position. It is likely, therefore, that in any case this misunderstanding would have wrecked the agreement. The reason, however, which Asquith gave for refusing to ratify the compact was that his Unionist colleagues declined to accept the provision whereby Ireland was to retain for the present her existing number of seats at Westminster. On this point a settlement was torpedoed which might have largely increased the forces available for the front, hastened the entry of America into the war, and have brought it to a much earlier close. The darkest chapter in the relations of these two islands would then never have been written. The chief responsibility for these consequences is in Ireland attributed to Lansdowne, who was presently appealing to the world for a peace which would have left the German power unbroken.

Lloyd George remained in the Government. In an article contributed to the *Freeman's Journal* of November 25, 1919, Mr. J. M. Tuohy, the London correspondent of the *New York World* purports to relate a conversation between the Prime Minister and himself which took place just when America was entering the war—that is to say, about eighteen months before he published it. At this



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interview the Prime Minister is represented as admitting the pledge. The explanation given is that Asquith refused his resignation when offered, on the ground that he was the one indispensable man in the Government, and that he yielded to the persuasion of McKenna and Harcourt. There was nothing to show, so Mr. Tuohy suggests, that the threat of his resignation was ever brought to bear on the rest of the Cabinet, including its Unionist members. We do not know whether the Prime Minister has ever traversed this statement of Mr. Tuohy. As the reader will see, we are not assuming the accuracy of these statements. In fairness it must be remembered that a British Prime Minister has scarcely the leisure required for giving his own version. But belief in this story is a factor in the Irish situation. It is this which Irishmen largely have in their minds when referring, as they constantly do, to "the great betrayal." To this more than anything is due the present distrust of any attempt to end the struggle by negotiations.

This fiasco ruined the position of Redmond in Ireland. The contempt poured by Sinn Fein on the constitutional methods of the Nationalist party was held to have been justified by the event. Nationalist supporters seceded wholesale to Sinn Fein. After the Rebellion, Irish contributions to the Army were negligible. A growing demand in Great Britain for the extension of compulsory service to Ireland then began to force the question of Home Rule into the background. This suited the tactics of Sinn Fein by offering Irishmen the strongest reason for denying the legislative authority of the Parliament at Westminster. On December 5, 1916, Asquith resigned, and his place was taken by Lloyd George. On March 7, 1917, the gallant Major Redmond made his last appeal in the House of Commons for an Irish settlement. Lloyd George replied, affirming that the Government was perfectly ready to grant Home Rule to the whole of Ireland outside the North-Eastern corner, but refusing to entertain the idea of forcing

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the measure on Ulster. The Nationalists, expressing deep disappointment, withdrew from Parliament, and issued an appeal to America and the Dominions. The terms of the appeal show that, while loyally clinging to the cause of the Allies, they felt that the ground was slipping from under their feet, and that Irish opinion was veering over to Sinn Fein.

On April 4 America declared war, and was thus in a position to bring new pressure to bear on the British Government in the matter of Ireland. On May 17 Lloyd George proposed two alternatives :—

(1) The immediate enactment of Home Rule excluding the six counties, such exclusion to be reconsidered at the end of five years unless the Council of Ireland proposed in the measure should first agree on a final scheme.

(2) Failing this, the reference of the whole question to an Irish Convention.

Redmond rejected the first and accepted the second proposal. On June 7 his brother was killed in France. On June 11 Lloyd George announced the constitution of the Convention. Sinn Fein, in accordance with its principles, refused to participate; but the Government endeavoured to overcome the difficulty by appointing members like Lysaght and "A.E." [Russell], who could give some expression to their views. On June 17 the Sinn Fein prisoners were released as an act of indemnity, a matter of some importance, as the leaders were again free to throw their energies into the organisation of its forces. On July 10 De Valera, who had fought in the Easter Rebellion, was elected Member for East Clare, vacated by Major Redmond's death, by a large majority. On July 25 the Convention met and elected Sir Horace Plunkett as chairman. On August 10 another seat was won by Sinn Fein in Kilkenny. However, in the following February and March two elections were won by the Nationalists, the second doubtless in view of the feelings aroused by the



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tragic death of John Redmond. Their recovery, however, was short-lived.

On April 5, 1918, the Convention reported its failure to agree, but put forward a scheme acceptable to a majority of Nationalists and the Unionists in the South, who were led by Lord Midleton. The chairman has placed on record his view that the failure of the Convention was mainly due to a determination on the part of the Ulster Unionists to accept no scheme which included all Ireland under any form of autonomy. A different and rather less simple opinion has been expressed to us by a Nationalist who enjoyed every opportunity of observing the course of events. In his view, responsibility for failure must be distributed amongst three parties in varying degrees. Of these the members for Ulster were the first, but least responsible. They came to the Convention with clear and well-known objections to any change. It was, so he held, for the Centre Party, led by the Bishop of Raphoe, to find the means of overcoming those objections. As it was, they unconsciously played into the hands of the party responsible in the first degree for the failure—Sinn Fein, operating on public opinion outside the Convention in the interests of Germany. Sinn Fein itself would scarcely raise an objection to this view. Action opposed to constitutional settlement and alliance with Germany to that end are both strictly in accordance with the views they have openly professed.

In March the supreme effort of Germany was made on the Western Front, and throughout April the very existence of France and her Allies was hanging in the balance. The position could only be saved by calling up every man available between the ages of 18 and 50. It was difficult, however, to persuade public opinion that boys and grey-headed men should be sent to the front, while Irishmen of all ages, married or single, were free to keep out of the conflict. A large number of British shirkers were, indeed, known to have taken refuge in Ireland and to be masquerad-

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ing there as natives of the country. On the same day, April 5, 1918, that the report of the Convention was presented to Parliament Lloyd George [announced the Government's intention of applying conscription to Ireland.

On April 16 the Conscription Act was passed by the Commons, the Government having announced its intention to introduce a Home Rule Bill forthwith and resign unless it was passed by the House of Lords. A scheme for Home Rule all round at this juncture figures in the public speeches of Ministers. The Irish members, who had returned to oppose conscription, again retired to organise resistance. Henceforward appeals to President Wilson were a prominent feature of the movement. The Roman Catholic Hierarchy opposed the enforcement of the Act with the whole weight of their authority. On May 17 the Government decided not to enforce conscription in Ireland. This was due, no doubt, partly to the conviction that they could not spare the necessary troops, and also to evidence that Irish conscripts would not be trustworthy. This decision, of course, involved a breach of the pledges on the strength of which a further extension of conscription had been accepted in Great Britain.

At the same time Government announced the discovery of a new plot to import arms from Germany in submarines. Doubts have been thrown on the reality of the evidence adduced. There was plenty of proof, however, of communications between revolutionary elements in Ireland and the enemy subsequent to the Easter Rebellion of 1916. In January, 1918, De Valera had announced that Germany at war with England was the natural ally of Ireland. A considerable number of persons were deported or interned under martial law, which had been in force since the Easter Rebellion, and lives were lost in various affrays. A settlement by agreement was contrary to the doctrines of Sinn Fein ; and, failing such agreement, there was, while the war was in progress, no alternative to the summary



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a methods of martial law. But those methods antagonised large sections of the Irish people and transferred their sympathies to the Republican movement. They are now pleaded by Sinn Fein as a justification for the killing of policemen after the war.

On July 4 Lord Curzon announced that the Government, having suspended conscription, would propose no measure for Home Rule. On September 26 the old Nationalist party in Dublin made one last desperate bid for popular support by declaring "that the only satisfactory and durable solution of the Irish National question on which to found a treaty of peace between the Irish and British peoples is the establishment of national self-government for Ireland, including full and complete executive, legislative and fiscal powers." They had simply reverted, in fact, to O'Connell's cry for the repeal of the Union.

6 The tide of war had now turned against Germany ; and as the prospect of peace came in sight President Wilson multiplied apophthegms. The stricken world swallowed them wholesale. Rich and luscious as honey, they offered nothing to bite on, and when kept for future application they lost the appearance of clarity and turned opaque. " Shall strong nations be free to wrong weak nations and make them subject to their purpose and interest ? " And again : " All who sit at the peace table must be ready to pay the price, and the price is impartial justice, no matter whose interest is crossed." British statesmen hastened to declare that all the problems of the war were soluble in the alcohol of " self-determination," which was, v as already said, merely the English version of Sinn Fein. It was also a solvent upon which Lenin was consciously counting for the disintegration of civilised society. The a effect of this formula in refreshing the cause of Sinn Fein is attested on all sides in Ireland. On November 5 the Irish Party proposed a motion calling on the Government to settle the Irish question in accordance with Wilsonian

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principles. It was voted out, the Government declaring that Ireland was a domestic question, and that no outside interference would be tolerated. The Nationalists themselves adopted exactly the same position so far as the six counties were concerned. In proposing his formula as the solvent of all political problems, President Wilson had forgotten to ask himself whether the identity of the "self" was to be determined by racial, social and religious factors or those of geography.

### IV. DEVELOPMENTS AFTER THE WAR

THE Armistice of November 11 was quickly followed by a general election in which the Nationalists lost all but 7 seats and Sinn Fein won 73. The Unionist North returned 26 members. The ruin of John Redmond's work was thus consummated, within a year of his death. Nationalist Ireland had passed over to the Republican camp *en masse*, and henceforth Ireland was for the most part divided between a majority passionately demanding the right to disown their status as British citizens, and a minority mostly segregated in the North-East just as passionately resolved to retain it. North and South were now separated by a gulf deeper than St. George's Channel. There is, of course, north of that line a Sinn Fein and Nationalist minority, and south of it a Loyalist minority, the strength of which can to some extent be inferred from electoral figures. The local government elections indicate a preponderance of Nationalist elements in two of the six counties, Fermanagh and Tyrone.

On January 21, 1919, the Sinn Fein members met at the Mansion House, Dublin, under the name of Dail Eireann (pronounced doyl or dawl airon), and proclaimed the independence of Ireland. On February 4 De Valera escaped from Lincoln prison and took refuge in America.



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There he conducted a campaign for raising an Irish Republican loan. An Irish-American delegation visited Paris to demand a hearing for the Dail Eireann at the Conference. On June 10 the American Senate supported their appeal by a resolution, and at the request of Lloyd George the deputation was received by President Wilson. On June 28 the Irish Dominion League organised by Sir Horace Plunkett issued a manifesto demanding Irish Home Rule. On July 12 Sir Edward Carson threatened to revive the Ulster Volunteers. On the 21st, in the debate on the Peace Treaty, Lloyd George denied the application of President Wilson's principles to Ireland. On the 23rd *The Times* published its plan for settlement of the Irish question on the lines of partition, and thereafter definitely transferred its support from the cause of Unionism to that of Home Rule.

A political system which means that every question beyond the scope of a county council must be dealt with by a Cabinet responsible for the greatest Empire in the world was now coming home to roost with a vengeance. While the Conference was remaking the map of the world in Paris, and Russia was planning to destroy the existing fabric of human society, Europe was faced by bankruptcy and famine. Over twenty minor wars were in progress in different parts of the world. In England itself social order was threatened by a series of strikes. Yet, though the mere tasks of converting the national organisation from purposes of war to those of peace were alone sufficient to occupy the whole time of the Cabinet, at this moment Ministers were attacked for not producing a scheme for solving the Irish problem. Their failure to do so was calamitous, but the blame lies not with Ministers but with the system. The Republican leaders, denied recognition at Paris, now resorted to the pistol and bomb.

In the force organised by McNeill they held in their hands a formidable weapon. Before the Easter Rebellion there were 80,000 names on the rolls. It must not be

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assumed that all these were available for the Irish Republican Army in 1919. But the war had arrested the stream of emigration, and the sons of farmers who would otherwise have left for America freely offered themselves as recruits. They are youths of intelligence and stalwart physique, of a class who would form the backbone of a yeomanry regiment. There is little slouching to be seen when they gather for a raid. Their straight backs and square shoulders betoken military training.

With such forces at their disposal the leaders would probably have ventured on open rebellion if matters had come to an issue before the war. But in 1919, realising the terrific power of modern artillery against troops in the open field, they resorted to the weapons with which centuries of agrarian oppression had familiarised Ireland. As formerly the landlords and their agents, so now the officers of Government became a mark for the bullets of assassins. The choicest flower of a splendid people were thus committed to methods of savagery destined to degrade themselves, their opponents, and their cause in the eyes of posterity.

The murder of police began in January, 1919. In peaceful times the Royal Irish Constabulary have always been popular with their fellow-countrymen, and were looked upon as friends. But whenever the country becomes disturbed they are soon regarded as traitors to their race. By the end of 1919 it was no longer possible for the police to obtain recruits in Ireland. On January 1, 1920, a recruiting office was opened in London. Men who had served in the war as N.C.O.s were selected, and as they were sent to Ireland faster than police uniforms could be made for them, they were dressed in khaki with black Glengarry caps. With ready Irish wit they were nicknamed "Black and Tans," after a pack of hounds for which Limerick is famous.

Still matters did not improve. The police were murdered and their barracks wrecked until the survivors were



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unable to venture beyond the stations they were able to defend. In whole districts the Government ceased to function, and the Dail Eireann began to adjudicate civil and criminal suits in courts of their own. Especially were they active in the centre of Ireland, where, despite the Land Purchase Acts, the existence of large grazing farms leaves the peasant's hunger for land unsatisfied. Claims to holdings, which in some cases were centuries old, came before these courts. Verdicts were determined, sometimes by English law, sometimes by the ancient laws of Ireland, but more often by the abstract notions of justice in the minds of the amateur judges, to the dire confusion of the lawyers who practised before them. One hears on all sides in Ireland that the justice done was rough and ready, but remarkably pure. The movement throughout seems free from a sordid taint. These informal judges were doubtless anxious to earn a high reputation for efficiency and justice.

They could, at any rate, enforce their awards, which the courts of the Crown could not do. Even loyalists were resorting to Republican Courts. Government might choose to regard them as arbitrations accepted by suitors. But the criminal courts of Sinn Fein were a direct challenge. To ignore it would have meant the most practical admission that Sinn Fein was ruling the country. Government decided to accept the challenge. Colonel Byrne, the chief inspector of police, was displaced, and Sir Hamar Greenwood became Irish Secretary and appointed General Tudor as police adviser to himself. General Macready, the head of the London Constabulary, was appointed Commander-in-Chief. The police are not under his command, except in districts where martial law is proclaimed.

*auxis* In July, 1920, it was decided to organise a special auxiliary force of cadets. Admission to this corps was restricted to ex-officers of the Navy, Army, and Air Force. Dressed like the English recruits in the R.I.C., they are also described as the Black and Tans. The whole police force

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now includes upwards of 15,000 men, of whom nearly 1,500 are these auxiliaries. So strengthened, the police, backed by the Regular Army, began once more to take the initiative at the close of last summer. The streets of the towns and the country roads were paraded with armoured cars and searches for arms and rebels were prosecuted with vigour. Magistrates were able to sit once more and judges to go on circuit under police protection. The Sinn Fein courts were suppressed and its administrative organisation driven under ground. Constant searches have certainly made life much less comfortable or safe for the Irish Republican Army. Its active members must sleep either in the open country or else shift their quarters every night. In the parlance of the struggle, they are "on the run." But still the Government is able to administer only in so far as its officers are backed by visible forces. The country patrols are ambushed. Those in the towns are constantly bombed.

A first impression left by one of these parades in Dublin may be worth setting down. Grafton Street was filled with people in the hour before curfew when suddenly one was aware of an open lorry racing down the road, with auxiliaries in their black glengarries leaning out, their revolvers presented in readiness to fire. After it sped others of various types, some roofed with wire, others boxed in with bullet-proof plates and one, a jam-pot of steel, upright with a soldier's cap just visible below the half-opened lid, and machine gun muzzles protruding fore and aft. One felt of a sudden as if monsters of the pleiocene age had revisited the earth to dominate mortals and were issuing at nightfall to assert their power. Last and alone, one eyeless mastodon so clothed about with steel as to hide all hint of the driver or men inside, more vast and hideous than all his fellows, slowly ground his way through the crowd, confident in the might of his bombproof belly and back.

There was no sign that these feelings were shared by the people gaily thronging the street. Their demeanour was one of contempt rather than of fear. An experience so



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common had ceased to impress them. Yet every one of them knew that at any moment a bomb might fly from a side street, when triggers would be pressed, and the crowded thoroughfare would be singing with bullets. As often as not the bomb misses its mark and is fatal only to passers by. A few nights later, near this very point, a bomb thrown at a lorry fell by two little girls. Both were taken to the hospital, the eldest, who was only 13, with her head and abdomen so mangled that she died next day. The only person that runs no serious risk is the bomb thrower, who escapes down a side street, secure even from the bullets discharged from the rapidly moving lorry. The ambulance cars which follow these parades like beneficent vultures serve to remind one of all they mean.

One thought, too, of the boys on the lorries called to this odious task. Their courage at least has never been impugned. They had reason to know that they carried their lives in their hands. The sun had set but twice since a well-aimed bomb had landed in a lorry, killing the whole crew but one. The torn bodies of their comrades were even then awaiting their last parade, transfigured by no glory but that which a hateful task unflinchingly faced must always bestow. That youths to whom these islands owe the free air they still breathe should be matched in a struggle with their own kin, a conflict in which no sense of genuine triumph can be felt, is a tragedy deep as any that the world can show. And the tragedy becomes all the more poignant when one goes to Belfast, where a great majority of the people are on the side of the existing régime. There the lorries still patrol. But one often sees them halted, and the crews fraternising with the crowd, which affectionately strokes the armour and guns. They figure no longer as dominating monsters, but as guardians and friends.

Elsewhere the bulk of the population is on the side of Sinn Féin. It is this which enables them to reinforce their control by a terror which has no example except in

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Russia. A minor punishment is to banish the offender. For disobedience or delation they have as a sanction—death, ruthlessly enforced. We are constantly told that victims are tried before they are murdered. But a trial of which the accused has no knowledge is a thin salve to the conscience of assassins. In civilised courts the innocent are often condemned, in spite of every security which the law can devise to protect the accused. A typical case is that of the magistrate, Bell. The tramcar in which he was travelling in a Dublin street was suddenly boarded by armed men, who seized Bell. A nurse, the only person who offered to assist him, was threatened with instant death. Bell was dragged on to the pavement and slaughtered in cold blood. The tramcar proceeded on its way, leaving the corpse in the road, while the murderers strolled off with the sure knowledge that no witness would venture to bear testimony against them. And so this bloody struggle proceeds. By the end of 1920 182 police, 54 soldiers, and 46 civilians were officially reported to have been murdered by Sinn Fein. In the present year 94 police, 45 soldiers, and 68 civilians were killed between January 1 and April 4. It is not possible to say how many people have been killed by the Crown forces in the last year, but the number is said to be greater than those killed by Irish Republican forces.\* Every Irishman outside the ranks of Sinn Fein feels that a chance word or a misinterpreted action may seal his fate. What security can he have against private animosity? Men of proven courage look over their shoulders while they are speaking, or break off a conversation if they hear a footstep behind the doors. Sources from which the Government may gather useful intelligence are stopped with relentless cunning. Stories and instances of the way the Terror works meet the traveller at every turn. A lady learns that an ambush is planned at her very door, and

\* The figures given in the March number of *THE ROUND TABLE* (page 231) purport to be the casualties inflicted by Sinn Fein.—ED.



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rushes in her motor to warn the police. A few days later she, with her car and its driver, vanish into space. Her friends learn that she is held in captivity in some place unknown. Presently members of the I.R.A. visit her house, turn the servants into the road, and burn the house with all its contents. A party dressed as police drop in for a meal with a Protestant farmer. Nothing doubting, he tells them what he knows of the I.R.A. in that district. When the meal is over they beckon their host outside, shoot him, and leave his house in flames. An old gentleman, in a humdrum office, such as one might see in a side-street near the Thames, explained to us that if his clerks ran to call the police to protect him from a raid they would suspect an ambush and refuse to come. There is no protection for private citizens. The agents of Sinn Fein go round the streets collecting money from door to door, from Nationalists and Loyalists alike. Women feel they can only refuse at the risk of their husbands' lives. In country districts much heavier sums are exacted from loyalists. A tradesman is notified that he must cease to buy some article of merchandise from Belfast. Some clerk in his office, or else in that of his friends at Belfast, is informing Sinn Fein of the details of his business. He well knows what the penalty is, and obeys. The powers of the central command are equal to conscription, so strong is the general sympathy which supports them. The only escape of many a young Irishman from joining the I.R.A. is to quit the country. The number emigrating to America is increasing by leaps and bounds. In 1919 the number of emigrants leaving Ireland was 2,975. In 1920 it was 15,531. In the first quarter of the present year it was 4,770, a figure which, if maintained, would mean an exodus of over 19,000 by January next. The following document will show how the central command proposes to deal with the problem.

## Developments After the War

The following Proclamation has been issued :—

### DAIL EIREANN.

#### EMIGRATION (SHIPPING AND EMIGRATION AGENTS) REGULATION.

WHEREAS it has been the consistent design of the English to weaken the Irish Nation by forcing the young and vigorous to emigrate :

AND WHEREAS to defeat this design DAIL EIREANN has decreed that no citizen of the Republic shall leave Ireland without permission of the proper authority :

NOW IT IS HEREBY ORDERED that henceforth Shipping and Emigration Agents shall not accept passage money from, or issue tickets or vouchers to, or otherwise deal with any intending emigrants from Ireland, save such persons as shall produce to such agents a printed Permit signed by the Minister for Home Affairs and sealed with the Seal of the Republic.

AND FURTHER that any Shipping or Emigration Agents or other persons offending against this regulation shall be deemed guilty of a grave offence against the welfare of the State in time of war and shall be dealt with accordingly.

#### DEPARTMENT OF HOME AFFAIRS.

8th April, 1921. L.S.

Supplement to *Irish Bulletin*, Vol. 4, No. 72, Wednesday, April 20, 1921.

The agents realise that disregard of this notice means death at the hands of assassins who run little or no risk of detection. Murder can be done with almost as little impunity in broad daylight, with hundreds of spectators, as in private at the dead of night. Every eye-witness knows that if he offers to assist the victim revolvers will leap from the pockets of bystanders, or that if he gives evidence his life is not worth an hour's purchase after he leaves the court.

When Government threw its real strength into the struggle the military side of the Republican movement was certain to develop at the cost of its civil activities. Real control was then bound to gravitate into the hands of men with a genius for organising violence freed from such



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conventions as are still supposed to govern the conduct of civilised war. Of these, of course, the most important is the absence of uniform. It was, indeed, condoned in the Boer War; but for practical purposes the main factor which distinguishes war properly so called from political murder must be that the taking of human life is confined to combatants dressed as such. In the streets of an Irish city the forces of the Crown are surrounded by foes with concealed arms who cannot be distinguished from civilians with whom they mingle.

A grave demoralisation of public opinion is one of the most terrible results. One hears people who frequent drawing-rooms in London and Dublin palliating murder. Homicide is said to shock the Irish mind far less than sexual laxity. Ireland has yet to learn the debt which it owes to a brave prelate who has not hesitated to denounce murder, even when done to advance a cause dear to his own heart. His flock have turned their back on him, and even his priests are said to have disregarded his injunction to refuse absolution for this crime. In happier days Cork will remember its Bishop as one who, like Father Mathew, was faithful to his Master's word, and served his countrymen best when he dared to tell them the truth.

From this, however, it must not be inferred that Catholicism has lost its hold on Republican Ireland. Members of the I.R.A. prepare for each desperate enterprise by attendance at mass for the purpose of "making their souls," in readiness for death. Yet every discountenance by the Hierarchy of their methods is apt to evoke the rejoinder: "We take our religion, not our politics, from Rome." The Church could only oppose the full forces of its spiritual authority to the criminal methods of Sinn Féin at the risk of its whole position in Ireland. Its open support, however, would still be given to a settlement which the great body of Catholic Irishmen were prepared to accept. To conceive the struggle as religious in character is in any case misleading. Protestants in the South do not

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complain of persecution on sectarian grounds. If Protestant farmers are murdered, it is not by reason of their religion, but rather because they are under suspicion as loyalists. The distinction is fine, but a real one.

In considering the question of reprisals it is necessary to remember the position by which the Government was faced last year. The police were paralysed and confined to the barracks which had not as yet been destroyed. They were freely murdered, and no means existed of bringing the murderers to justice. Popular support had enabled Sinn Fein to create a terror which was threatening to render their control of the country absolute. The police were ceasing to function. Numbers were resigning, and fresh recruits could not be obtained in Ireland. In any case the forces required to deal with this situation had to be drawn from Great Britain.

Such forces might be used on either of two principles or on both principles in combination. They might be employed to seize and remove all persons in active rebellion, or suspected of being so. The idea that a situation like this can be handled without hardship and injustice to innocent persons or with accurate reference to varying degrees of guilt is pure illusion. The delicate safeguards necessary to protect the innocent from all risk of injustice cannot be maintained when a revolution has to be faced. Any measures calculated to restore order in a disturbed country mean hardship and injustice to a large number of peaceful persons. This will still be so when a Government intends only to lay hands on the persons and property of those in active rebellion.

A second method which can be combined with the first is to meet terror with terror, with the purpose of making life so uncomfortable for the whole population that opinion instead of supporting the rebel forces will turn against them. It practically amounts to treating the whole population as the enemy, and unless it succeeds in crushing their spirit, it must end by driving all but a few into active



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sympathy with the rebel forces. The temptation to resort to this dangerous expedient is all the greater when the forces available are too small to occupy the whole country and sort out every person under suspicion.

We very much doubt whether the Government ever found time to think out the two methods available with the brutal frankness we have here used. The task of crushing the rebellion was entrusted to certain officers who were given a fairly free hand and assured of support from above. The conception that terror could only be met by terror had, we believe, developed in the minds of those officers, whether consciously or otherwise, and influenced their methods. In selecting their recruits they looked for daring, initiative and resource, and less than they would otherwise have done for the character expected in a disciplined police. Nor was time available for instilling the discipline. The name of "Black and Tans" shows that the men were rushed out quicker than uniforms could be made for them. The war had created a copious supply of men available for the purpose. Their experience in the trenches or the Air Force was calculated to produce reckless courage rather than respect for life or property. A long war, moreover, always leaves a mass of combatants who are afterwards fitted for little but fighting. The residuum of soldiers who had not obtained civil employment at the time English recruiting started for the Irish police would contain many of this type. Men who were soldiers of fortune by nature had been drawn to this country from all over the world and remained unemployed. Such men are not easily amenable to discipline, and have often formed intemperate habits. There is, according to the evidence of witnesses who cannot be suspected of disloyalty, a good deal of drinking among them. In the I.R.A., on the other hand, temperance is said to be rigidly enforced. Sinn Fein cannot afford to be served by babbling tongues. But the nervous strain under which police and auxiliaries are living must always be remembered. It is said to be worse than

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in the trenches. They are never free from the risk of bullet or bomb. There are no rest billets in Ireland. Under such conditions the bravest man is tempted to find relief for his nerves in drink. There is, on the other hand, a conspicuous absence of charges connected with women.

The new police are also accused of looting, and, indeed, men with a record of distinguished service during the war have been convicted of this crime. One of their most important duties, that of searching houses for rebels and arms, exposes the searchers to great temptation. The growth of laxity in this matter can only be suppressed by the sternest discipline. At the outset such discipline was lacking, though every effort is now, we believe, being made to enforce it.

In dealing with the question of unauthorised reprisals it is necessary to guard against the inevitable fact of exaggeration. The Irish are a highly imaginative and emotional people with a singular faculty for expressing their feelings in words ; and the words once uttered become to themselves an accurate and ineffaceable picture of the facts. The truth of these matters cannot be obtained even from written affidavits, still less from the stories current in Ireland. It can never be reached except by a commission of experts in the art of cross examination, armed with the fullest powers for sifting evidence. Even so there will always be a large residuum of cross-swearing, the rights of which the most experienced judges will not be able to determine. Visitors like ourselves have to depend upon evidence which is generally second-hand, and often far from impartial ; but no one can have any doubt that the reprisals have stopped short neither at the taking of life nor at the destruction of property. The best we can do is to offer impressions formed after visiting the country.

An account of one notorious episode, which was obtained from a trustworthy source in the district, may enable the reader to see the truth in relation to some of the stories to which it gives rise. Last autumn a party of police was



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ambushed at Kilmichael, near Cork. Every member of the party but one was killed, and the bodies were shamefully mutilated. It is alleged by Sinn Fein that a white flag was put up by the police, and that when the attacking party approached to accept the surrender fire was opened upon them. The statement is *ex parte*, and the effect which the sight of the mangled corpses had on the minds of their comrades recently brought to the country can be imagined. In the absence of strict discipline, a feeling in favour of some terrible reprisal was sure to flame up on the next provocation.

Three weeks later a bomb was thrown into a lorry in Cork which killed one man and wounded another. This was in the evening, and an hour later flames began to break out in the principal streets of Cork. We have no reason to doubt that the conflagrations were started by men in the Crown Forces. The drapery stores were a special object of attack, because the shopwalkers were believed to be active members of Sinn Fein. But the owners of the property destroyed were, it appears, in some cases known Loyalists. One shop at least was looted by the Auxiliaries. In the confusion which followed, the criminal underworld of Cork broke out and joined in the pillage. Large quantities of goods were recovered next day by emissaries of Sinn Fein and restored to the owners. Whether the criminals themselves resorted to arson no one can tell. Eventually the Town Hall and Carnegie Library burst into flames. These public buildings can scarcely have contained goods such as would tempt ordinary criminals to arson.

The company of Auxiliaries then in Cork was removed to another station. A lorry containing sixteen members of this company was sent on a patrol under the command of a cadet called Hart, a close friend of the man killed by the bomb an hour before the Cork fires broke out. On this journey he murdered a boy and an old priest called Canon Magner. The resident magistrate, who was close by, narrowly escaped his violence. He was tried for his life, and

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four mental experts sent over from the Home Office pronounced that he was insane in so far that he was not responsible for the act when he committed it. The Government, not satisfied with this report, sent two other experts, who endorsed the previous opinion of the four. In this connection reference must be made to the recent controversy in the *Times* between lawyers and mental experts, which shows a serious conflict of view on this subject. Lawyers will send to the scaffold homicides whom the mental expert would only commit to an asylum. But when we remember the case of Colthurst it is not surprising that Irishmen think that one standard is applied to the forces of the Crown and another to the agents of Sinn Fein.

Another comment is made in this country as well as in Ireland. Even granted that Hart was mad, why was no punishment meted out to the sixteen men who sat on the lorry and did nothing while Hart perpetrated his crime? To this comment we saw no answer till we learned what really happened. Hart stopped the lorry and proceeded a long way down the road. He was followed by two other cadets, on the principle that no member of the force is allowed to go on duty alone. Hart ordered them back, and alone proceeded further to the spot where his crime was committed. The crew of the lorry had thus no chance whatever to prevent the outrage. It is inevitable that facts like this should not be known when proceedings are seldom published.

We dwelt on the fact that the strictest discipline alone would prevent the forces of the Crown from sinking in this unclean struggle to the level of methods adopted by Sinn Fein. The fact is illustrated by what happened when six young soldiers were murdered in cold blood in the streets of Cork as a reprisal for the execution of six rebels. The troops were paraded in the barracks and addressed by their commanding officer, who appealed to them, for the honour of the British Army, not to resort to reprisals. And no



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such reprisals followed. Generally speaking, the conduct of the Regular troops does the greatest credit to the British Army, and their discipline and self-restraint is widely recognised in Ireland. There are, of course, exceptions, but the point is that the men know that their officers do not countenance reprisals unless they are specifically ordered, and discipline is enforced.

The effect of the war on the whole situation is certainly not confined to the forces of the Crown in Ireland. It pervades society and affects the outlook of the Government itself. The South African War was as clean a business as such work could be made. With one doubtful exception—the accused was a Spaniard—there was from first to last no attempt at assassination on the part of the Boers. Yet no one could have mixed with the irregular corps without feeling that almost anything was possible but for the stern determination of Roberts, Kitchener and Milner to see that war was conducted on civilised lines. One irregular officer was tried for murder by court-martial and acquitted. Kitchener, after going through the papers, had him re-tried and shot. But a single utterance in high quarters on the lines of the Carnarvon speech might easily have led to an outbreak of devilry, and brought lasting disgrace on the British name.

Unauthorised reprisals must be clearly distinguished from those ordered by proper authority. We saw in Cork two houses which had been wrecked by military order. Several policemen had been shot in the street, and the military authority believed that the shots had been fired from these houses, and that the owners were in sympathy with Sinn Fein. The feelings provoked by such acts may easily tend to increase rather than diminish popular sympathy with the rebellion. But the difficulty still remains that the forces employed to repress disorder will not continue to function if no visible punishments can be made to follow the slaughter of their comrades. And the same, indeed, applies to the execution of men caught with arms in their

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hands in some attack on the forces of the Crown. The feeling in Ireland on the subject of casual homicide is such that a formal execution creates more bitterness than an act of unauthorised vengeance by the forces of the Crown. It provokes a storm of protests from the people who are loudest in denouncing reprisals. Yet unless men caught with arms are executed, the practice of reprisals is as certain to grow up as lynch law in a country where criminals cannot be brought to justice.

The case of the creameries stands on a different footing. There are about 440 creameries created by the great co-operative movement, which is now famous throughout the civilised world. They have helped to make the output of butter more valuable than the output of ships at Belfast. There is conflict of evidence as to the number damaged or destroyed. The *Irish Homestead*, the organ of the Irish Agricultural Organisation Society, in its issue of April 30, puts the number at 61, and also brings up to date the detailed statement of each case given in a previous pamphlet by "A.E." [Russell]. An anonymous Loyalist, writing in the *Illustrated London News* of April 23, reduces the figure to 16 destroyed and 11 damaged. In a few cases it is stated that attacks were made on the forces of the Crown from the buildings. Two principal reasons were given us for the destruction in the other cases. As the creameries are owned by the farmers, their destruction is the best way of punishing the community as a whole for murders done in the district. Colour is lent to this view by the statement that out of about 270 non-co-operative creameries only 10 have hitherto been destroyed. The second and more respectable reason alleged is that men bringing the milk gather daily at the creameries from the whole countryside. They thus constitute centres for the exchange of intelligence and for the distribution of orders amongst the rebel forces. But this could have been dealt with by closing the suspected creameries. Their destruction has operated to drive members of the co-operative



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movement into sympathy with Sinn Fein. Six months ago the men in active sympathy with the Republican forces were the farmers' sons and the curates. Since unauthorised reprisals and the destruction of creameries began Sinn Fein have been able to count on the support of great numbers of the older farmers and parish priests.

This is no agrarian disturbance of the old recognised type, but a highly organised rebellion. The fact has never been squarely faced, and the consequences are apparent in the methods adopted. Martial law was proclaimed in patches, and seems to be imposed on the Continental idea that it is of the nature of a punishment. In South Africa martial law existed merely to ensure the conduct of operations on lines which were both efficient and civilised. It meant that one man was solely responsible for all operations, with absolute authority to enforce discipline. Martial law, properly so called, simply means that the will of the Commander-in-Chief is law. He enjoins all authorities to carry on in accordance with ordinary law, except in so far as he may vary it for military reasons. Accordingly he adapts his system to local conditions. In peaceful areas he leaves things very much as they are under normal conditions. In disturbed areas the system is adjusted to local requirements. We do not hesitate to say that all operations should be placed under one commander-in-chief, and martial law extended to the whole of Ireland. The commander-in-chief should stand in the same relation to the Viceroy as Lord Roberts stood to Lord Milner. Both should be made to realise that we are not fighting a foreign force, but our own kith and kin, inhabiting a country which must always live in some kind of political communion with Great Britain. And whatever is done must be done by the Government itself in the light of day and with full responsibility. There must be no winking at unjustifiable excesses on the part of policemen because for the moment they seem to be serving a purpose,

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or because there is a risk of destroying the zeal of their servants. Whatever measures are taken should be ordered and directed by people who are not themselves under the influence of passion.

The methods adopted in the last year have restored the control of the Government to this extent, that the courts have been able to function and the police to leave their barracks and take the initiative. Eye-witnesses who attest to the undisciplined conduct of the Black and Tans often go on to say that things would be worse but for their activities. On the other hand, they have driven moderate and respectable elements of the population into tacit or open sympathy with rebellion. We are bound to say that the temptation to fight Sinn Fein with its own weapons has not been resisted. The destruction of life and property is a crime, except in so far as it is done by orders given from above in pursuit of a policy publicly avowed and approved by Parliament. Crime cannot be met by crime, or murder by murder. A stricter discipline has now been enforced, but not before things had been done and condoned by the authorities which must make Englishmen hang their heads. The blame is less due to brave men whose lives were in jeopardy than to those at a distance who failed, till public opinion was moved, to condemn and prohibit these methods. If the British Commonwealth can only be preserved by such means, it would become a negation of the principle for which it has stood.

Sick with this tale of crime and repression, we may turn for a moment to one brighter aspect of the situation. We have met no bitterness anywhere which equals that which the Irish now feel for "England." Yet as a member of the hated race moves through this troubled land he comes to feel that its people must have exhausted their powers of hatred on abstractions. Strange and incredible as it may seem, the concrete individual Englishman is insensibly made to feel that he is welcome, and that Irishmen like to have him in their midst. Nowhere else in the British



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Commonwealth will he find himself so quickly feeling at home. The people have a genius for putting the shy stranger at his ease. Their kindness and hospitality are boundless, and their natural courtesy homeric. Whatever their faults, centuries of vexation have left them the most affectionate and loveable people in the world.

There are great qualities in a people of whom this can be said. Apart from the present troubles, they have reached a level of prosperity never before known in the country. Rags seem to have disappeared. The crowds in Cork are at least as well dressed as those in Belfast or in any seaport town of Great Britain. Ireland is no longer a country of impoverished farms and ruinous hovels. On every side are to be seen trim whitewashed homesteads surrounded by well-stocked fields. Thanks to the co-operative movement, its rural life is better organised than in any part of England. The people are at least as gifted and intelligent as any in Europe. So far as brains are concerned Ireland is as capable as England of managing its own affairs. Yet the policy of kindness initiated by Balfour which has borne these fruits has left the old burning resentment against English rule unquenched. As every historian knows, a determined movement like this does not break out when a people is plunged in misery. It becomes formidable only when some measure of reform or favourable turn in the trend of prices has relieved the pressure of want so far that the people have strength and time to think for themselves. The defects in the Irish mind are blindness to realities, aversion to compromise, a morbid concentration on itself, a disregard for all interests but its own, an ingrained belief in the virtue of violence. The only cure for these faults is a double dose of responsibility, for they spring from its absence. The Irish have never been disciplined by the sense of controlling their own affairs. It is only by experience in handling causes that nations learn to distinguish evil from good. The tradition that murder is right if used for political ends is a ghastly heritage from a tortured past.

## A Settlement as Proposed by the Government

But Ireland alone can cleanse her soul of that curse. We only can prevent it from becoming our own.

True it is that in law the Irish had all the self-government enjoyed by the English, Scottish or Welsh, and indeed more by reason of their larger representation. The reasons why they did not use that power are explained in the earlier pages of this article. And even if they had done so the time available to Parliament would not have sufficed to deal with the special problems of Ireland. That responsible government is not created by a multiplication of voters is a truth which the British have yet to realise. The machinery of union, unless supplemented by extensive devolution, could not have availed to give the Irish experience of developing their own country and of doing justice as between themselves. The passions aroused by the present struggle have now closed that avenue. It has roused a sense of separate nationality which is blind to all claims but its own, a fanaticism careless of death, suffering or loss. The problem would be far easier to deal with if it now sprang from any grievance connected with land, or any oppression but that which it is the policy of the rebel command to provoke. The movement may be crushed for the moment, but no remedy will go to the root of the evil which does not give Irishmen a freedom to manage their own affairs which may be used to the injury not only of themselves but of Great Britain as well.

### V. A SETTLEMENT AS PROPOSED BY THE GOVERNMENT

REPRESSION is only one side of the Government's policy. The other is embodied in a measure similar to the plan published by the *Times* on July 23, 1919, which became law on December 23, 1920. This measure aims at placing the people of Ireland in a position to create a scheme of Home Rule for themselves by agreement between North and South. For this purpose a responsible



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Government is created in Dublin for the 26 counties and a second at Belfast for the remaining six. To each is given every power which can without inconvenience be exercised within those limits. For matters common to both a council is created consisting of 20 members from either legislature, with a president nominated by the Lord Lieutenant, with a casting vote (S.2). To this council is relegated the control of railways, fisheries, and of animal diseases. Each parliament may, however, authorise railway construction, where the work lies within its own area. The two parliaments may also by identical legislation transfer to the council the control of any other matters entrusted to both (S.10). The council has no legislative powers. Each legislature is given substantially the powers accorded to a state or province in a federal union. It is debarred from making laws relating to banking, weights and measures, trade marks, copyright, patents, or to military forces. The control of police is reserved for a period not exceeding three years, and the postal service, savings bank and registration of deeds unless and until a parliament for United Ireland is established.

Each legislature may impose and collect any taxes within its area with the exception of customs and excise duties, excess profits duty, corporation profits tax, income tax (with exceptions), or any tax on capital other than the above. The Irish Exchequer may make grants in relief of income tax and of super taxes (S. 25). These reserved taxes, however, are of course the principal sources of revenue. They were withheld from the Irish Parliaments because there is no way of giving them the right to determine customs rates which does not involve the setting up of customs barriers between Great Britain and Ireland and between Nationalist Ireland and Ulster, and because the transfer of the control of income tax to Ireland would apparently make almost impossible the working of the Imperial income tax, with its provision for collection at the source. Accordingly the principle upon which the Act

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was based was to reserve these taxes to the Imperial Parliament, but to hand over to the Irish Parliaments their proportion, after deducting Ireland's contribution towards Imperial services—debt, defence and foreign policy. Ireland's contribution on this basis is to be determined by a Joint Exchequer Board, having regard to the relative taxable capacity of the two islands. The Act estimated the amount due in the first two years to be £18,000,000 annually, though if the Joint Exchequer Board finds this excessive the overcharge is to be refunded. Finally the Act handed over to the Irish Parliaments the amounts payable by Irish purchasers of land under the Wyndham Act, while Great Britain retained the debt charges. This meant that the Irish Parliaments were started with a credit balance of £3,500,000 per annum over and above the cost of the Irish services transferred to their control, with which to make reduction of taxation or to embark on programmes of development or reform. In other words, the Imperial contribution, estimated at £18,000,000 for the first two years, is really £14,500,000. A lump sum of £1,000,000 is also given to each of the two areas for the construction of offices. The Joint Exchequer Board is to consist of two British and two Irish members, one appointed by the South and the other by the North, with a chairman appointed by the Imperial Government.

In view of its Imperial contribution Ireland is to continue to be represented at Westminster by 46 members. The measure is sincerely intended to lead to the union of Ireland under one Government. Such union can be effected by an identical measure passed in the lower house of both legislatures. To an Irish Government so created the Act provides for the transfer, if desired, of the postal service, savings bank and the registration of deeds (S.9). At the request of the Irish Parliament the Joint Exchequer Board must report to the Imperial Parliament whether the customs and excise can be handed over as well. These last provisions are designed to leave the door a little way



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open for the future introduction of a scheme in which provincial Governments might be created for England, Scotland and Wales with powers similar to but not so extensive as those now given to Ireland.

The Act, in a word, is not intended to settle the relations of Great Britain and Ireland, or those of the six and 26 counties, with any finality. It presupposes the union of all Ireland under one parliament (with or without two or more provincial administrations) before any further attempt can be made to settle its relations with Great Britain. Unless it first leads to the reunion of North and South its intention will have failed. This the authors of the Act would be the first to admit.

Now if this should happen it will only be by a gradual change in the outlook of Ulster effected by the discipline and experience of responsible government in the South of Ireland, as well as the North. Such a change was actually taking place in the peaceful period between the second and third attempt to create a parliament in Dublin. If the Act should succeed in its object it must be because sentiment in Ulster has become more Irish than at present. And if once Ulster by her own consent becomes part of a United Ireland, the development of that feeling will be greatly stimulated. Her people cannot share in the work of an Irish Government at Dublin without coming to view their relations with Great Britain through Irish eyes. The aloofness of Ulster will then have become a thing of the past.

It is vital, therefore, to ask ourselves how such an Irish Government will behave when called upon to settle its still outstanding relations with Great Britain. That Parliament will find that all the main sources of taxation are still beyond its own control. It cannot determine its own fiscal system. Will constituencies in Ulster as well as in the rest of Ireland continue to return members pledged to leave this control to a British Parliament in which Ireland will enjoy less than half the influence which they exercised before the Act?

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Surely it is dangerous to burke the fact that if the Act leads, as it is intended to lead, to the establishment of a parliament for all Ireland, that parliament will be nearly as well situated as those in the self-governing colonies to demand and obtain additional powers. We say nearly, because Great Britain, so long as the British Commonwealth exists, can always maintain its naval control unimpaired. But were a United Ireland once vested with a parliament of its own resolved to assume control of its own taxation and customs, it is difficult, in the light of history, to argue that Great Britain could or would continue to resist that demand. Our conclusion is that, if the present Act were to achieve its avowed purpose, Ireland would presently attain full control of her customs and all her sources of revenue. And in doing so she would also acquire the power to withhold any contribution to Imperial expenses. In this measure Great Britain was, in fact, committed more deeply than was realised or intended.

How comes it, then, that the South of Ireland continues to resist this measure? The answer to this question brings us to the root of the whole problem. Gifted and intelligent as the Irish unquestionably are, they lack the qualities which a people can only gain from the conscious control of their own affairs. This long-standing defect, for which Ireland is not mainly responsible, has been aggravated to a fever of unreason by the war and the violence which preceded and has followed the war. The whole question might easily have been met by a federal solution applied in time. Delay has produced a temper in Ireland which objects more fiercely to such a solution even than to remaining as she is. For that very reason the present Act is not supported by more than a few dozen voices in the South of Ireland. Want of experience in handling facts has left the Irish mind out of touch with actualities. No cure will now reach the root of this malady which does not give Ireland the strongest dose of responsibility which she herself is able to take. And this is



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exactly what she would get if the present Act succeeded in its purpose. There could only be one end to the controversy. If a Government of Conservative complexion refused the demand, a Liberal or Labour Government would grant it when the turn of the tide came. But, even so, the final steps would only be achieved after friction and controversy with Great Britain, more acute, perhaps, than attended similar struggles in the case of the Dominions. Such friction will greatly delay the creation of better relations between the two islands. If the fullest measure of autonomy is the only cure, and if under the present Act that full measure will result, it is surely wise to eliminate this period of friction, and grant forthwith everything which it lies within the power of any future Government, however extreme, to concede. This course would have an element of finality which the Act as it stands has not.

### VI. A PLEA FOR FINALITY

**W**E do not suggest such a policy with any confidence that this appalling conflict can be ended on these or on any other terms. In the American Civil War Lincoln was fighting with organised Governments. To the end political interests in the South remained in the hands of experienced civilian administrators, like Jefferson Davis. It is not so in Ireland. Except for a few months when Sinn Fein was able to develop the skeleton of a Government, the movement has from first to last been a military enterprise. Control has necessarily passed to a handful of men with a gift for organising violence. The real leaders are absolutely fearless and conscientious in their belief that killing is no murder, whatever the method and means employed, so long as it is perpetrated in pursuance of their orders. Distrust in the efficacy of anything but sheer force is in Ireland the most tragic fruit of Anglo-Irish history, and we are

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face to face with its consequences to-day. But the greatest danger arises from the fact that these men, with no political experience, are quite unable to judge how far the ends they seek are attainable by force. They cannot, for instance, allow for the reality of a fanaticism, as they would deem it, equal to their own in the minds of others who must be parties to a settlement. The founders of Sinn Fein have, like Frankenstein, created a force they are powerless to control ; a purely military machine is irrational by nature ; as in Prussia, it moves with an impetus which it cannot itself reverse. It is essential, therefore, for people in this country to realise that whatever terms they propose may still be refused till Ireland is bled white as veal, till her industries lie in ruins, till the best part of her youth has emigrated to America, and England stands beggared and discredited in the eyes of her own children and in those of the civilised world. Passions have been let loose which, perhaps, cannot be reined until they have worked the total ruin of Ireland, and the utter disgrace of the civilisation for which we stand. Herein lies the tragedy of the situation, and it cannot be approached in any spirit of optimism.

The danger lies in the fact that the leaders of this movement are asking for terms which if any British Government accepted on paper they could not deliver in fact. When one asks a spokesman of Sinn Fein whether the demand for Irish independence includes the whole Island, the answer is : " Absolutely so." Now, even assuming that four-fifths of the Irish people are anxious to renounce their status as British citizens, which they certainly are not, it is certain that at least one-fifth are immovably resolved to retain that status. Men whose whole lives are inspired by one idea find it difficult to realise the idealism latent in the minds of ordinary commonplace people. We have met Sinn Feiners who seemed genuinely startled to hear that if the establishment either of self-government in the Transvaal or of the Union of South Africa had meant that



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British citizens were to renounce their citizenship, civil war would have been the result. It surprised them to be told that had General Hertzog won the recent election and declared a republic, shopkeeping Britishers in that country would have sprung to arms. These men, who are ready, nay eager, to die for an idea, have little recognised the strength of an ideal opposed to their own, for which a substantial proportion of their own fellow-countrymen are also prepared to die. Nor do they realise that their demand, if conceded, would place them in the very position which they now execrate. In the first month of their existence the forces of a Republican Government in Dublin would, in Northern Ireland, be engaged on the same fell work that the forces of the Crown are now doing in Kerry and Cork. They would be copying the methods of the British Government in coping with tactics perfected by themselves.

The claim they are making presupposes that the British Government is omnipotent in fact as well as in law. They ignore factors which it is beyond the power of this or any other Government to command. If civil war had broken out in 1914 vast numbers in Great Britain would have ranged themselves against the Unionist Party in support of Nationalist Ireland. There is now no Unionist Party worth counting, but an English brigade could not be recruited to support Sinn Fein in coercing Ulster. The moment blood began to flow overwhelming forces would begin to pour in from Great Britain to Ireland in defence of those who were fighting to remain their fellow-citizens. No Government in England could prevent the organisation of such forces or their transfer to Ireland. It is quite true that Irish-Americans in almost unlimited numbers would arm to support the Irish Republic. It is no less true that the Orange Lodges in Canada would organise forces to support Ulster. Ships from Australia and New Zealand would be loaded with recruits hurrying to join the conflict on this side or that. Can any sane mind really picture the British Navy circling round to keep the

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ring till Republican machine guns had done their work and coerced the surviving Loyalists into renouncing the King they serve and lowering the flag under which they sail? In one breath we are asked to believe that, while a majority of Irishmen will die sooner than remain in the British Commonwealth, the Loyalist minority will consent to go out of it without striking a blow. Sinn Fein is asking what no Labour Government, backed by a majority however strong, could offer, or, if it offered, could deliver. When talking of peace it is useless to consider terms, which would not only open a fresh chapter of carnage in Ireland, but would spread the conflict in some form or other broadcast throughout the English-speaking world.

In the same category must be included all proposals which involve making the six counties subject to an all-Irish majority now or in the future, except by consent of their own legislative assembly now by law established in Belfast. We are not concerned with the rights or wrongs of the position. But when looking for some means whereby the present struggle may be ended it is futile to suggest measures which must immediately result in sweeping into the *mêlée* elements which do for the moment stand outside it. Surely the greatest visionary must see that if Ulster Protestants were prepared in 1914 to go into rebellion rather than submit to the rule of Redmond and Dillon, they would perish to a man rather than accept government at the hands of those responsible for the present methods of Sinn Fein. Ulster, like the rest of Ireland, has a dangerous belief in the efficacy of force. Like the Boers, however, she still cherishes the old-fashioned distinction between battle and murder. The feelings which separate North and South have been terribly deepened by the character which the present struggle has assumed. Southern Ireland must be free to choose its rulers, and Ulster must have time to see how she uses that freedom before a new prospect of unity for Ireland can dawn. The apostles of a violence unrestrained by civilised conventions scarcely realise the



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obstacles they create to their own ends, to whichever party they belong.

To say that the hands of the Crown forces are as red as those of Sinn Fein is no answer. The Government is one thing, and the people of Ulster another. The Imperial Parliament is as powerless by its mandates to effect a genuine organic union between North and South, as it was to unite Upper and Lower Canada. It tried and failed. The plan which succeeded was the work of Canadians and based on agreement between the electorates of Ontario and Quebec.

More instructive still is the case of South Africa. So long as there were three parties to the dispute, Great Britain as well as the Dutch and British in South Africa, a settlement was hopeless. The only final solution lay in Union, but Union was impossible so long as the question was at issue, whether South Africans were to retain or lose their status as British citizens. The pact of Vereeniging settled that question, and within eight years the British and Dutch were united by a settlement made by themselves in their own country which the British Government were able to accept without the alteration of a single word. The secret lay in first eliminating questions at issue between South Africa and the British Commonwealth. The principle of this precedent has, we suggest, a real application to Ireland. If matters can be finally placed on a footing which leaves no further bargain to be struck between Great Britain and Ireland, and which still makes North and South feel that each can meet the other free from fear of compulsion from outside, the unity of Ireland, however distant, will at last be in sight.

Let us take the questions now at issue between Great Britain and Ireland and see how far it is possible to eliminate them once for all. Customs is the first and most difficult case. The foreign trade of Ireland is practically confined to goods produced in Belfast. Except for certain negligible items, the whole of the exports from Southern Ireland are

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marketed in or through Great Britain. Ireland is only one of the most important markets for British manufactures. Great Britain is the sole market for the agricultural products of Ireland, and is so situated as always to be its most profitable market under normal conditions. To the Irish farming industry as a whole security for free trade with Great Britain is of even greater importance than it is to the British manufacturing interest as a whole. It must also be added that Ulster is passionately averse to anything which might threaten the fiscal unity of Great Britain and Ireland. The prospect of custom houses erected to examine goods passing between the two islands, or between the six counties and the rest of Ireland, is as bad a nightmare to the North as it would be to Scotland and Wales, were it ever suggested that all goods in transit must be examined on their borders. At present the really economic demand for protection comes, if at all, only from the small body of manufacturers in the South of Ireland. The demand from Nationalist Ireland for the right to settle and collect their own customs is none the less overwhelming. It springs from the passionate resolve to be recognised as a nation distinct from Great Britain at least to the same extent as the Dominions. Fiscal autonomy has come to be regarded as the symbol of nationhood, not merely by the more fanatical section of Sinn Féin, but by the whole body of Nationalist opinion. As the failure of the Convention to secure an agreement between North and South showed, the successful propagation of this doctrine has, in fact, established a formidable barrier to national union.

The Irish problem is, in fact, psychological. It no longer arises from any economic or social grievance, but from a state of mind driven to unreason by long denial to Ireland of reasonable powers to manage her own affairs. So obvious is the interest of agricultural Ireland in free trade with Great Britain that advocates of fiscal autonomy habitually plead that if only Ireland is left free to make her own tariffs she can always be trusted to maintain free trade



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with Great Britain. As a rule they couple the demand for fiscal autonomy with the plea that it should be accompanied by a treaty establishing permanent free trade between Great Britain and Ireland. That such an agreement would in practice destroy the fiscal autonomy of both countries is a fact with which they have failed to reckon. No Chancellor of the Exchequer can undertake to balance his budget, especially in these days, unless he is at liberty to vary his tariff. Under its present system of free trade the British tariff is applied to a very limited number of commodities. But, even so, a year scarcely, if ever, passes without some change being made in these duties. To balance his budget and to meet popular demands, the Chancellor of the Exchequer must be at liberty every year to readjust the duties on items like tea, spirits, tobacco, cocoa or sugar. Now under the system proposed no such change in the British Budget, however slight, can be carried into effect without subjecting to examination all goods as they pass between Great Britain and Ireland unless the Irish Parliaments follow suit and enact exactly the same changes at the same time.

We are told, therefore, that the British Chancellor of the Exchequer must not propose any change in the tariff until the Irish Chancellor has agreed to propose the same change to the Dublin Parliament, and *vice versa*. Both Parliaments must then be brought to accept such agreements. This is the experiment which Pitt tried when Ireland asserted the right to fiscal autonomy in the days of Grattan. Its signal failure is on record. Whenever tried, as in Germany or South Africa, it has always broken down in a few years. When proposed between Canada and America, Edward Blake demonstrated that it could only last if quickly followed by the entry of the provinces of Canada as states under the American Republic. It would, in fact, destroy the fiscal autonomy of Great Britain as well as of Ireland, and give rise to evils far greater than the establishment of custom houses between the two countries.

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The maintenance of an agreement on a contentious and complicated matter like a tariff schedule, which presupposes that two legislatures responsible to separate electorates will succeed in enacting the same changes in the schedule year after year, is doomed from the outset to failure. Its very uncertainty is a standing bar to the investment of capital in trade.

Fiscal autonomy in every shape or form means that the possibility of custom houses between the two islands must be faced. But the fact we have need to grasp is this, that the political relations into which the two islands have now drifted are more inconvenient, more mischievous to commerce, more costly and more fatally dangerous to both than any line of custom houses on their coasts, or indeed any condition of fiscal divorce. Their continuance must serve to aggravate the psychological causes which foster the Irish demand for fiscal autonomy.

We have, however, one suggestion to add which might help to mitigate the evils of the change. If fiscal autonomy is granted to Ireland, the existing tariff would in any case continue to apply until it was changed by the vote, either of a British or an Irish Parliament. Until some change were introduced into the tariff of either country no customs searches would be needed on either coast, provided that North and South were prepared to allow the Joint Exchequer Board, as under the Act, to apportion the Irish revenue between them on some rough basis. But the chance of maintaining an identical tariff, though not in any case great, would be clearly enhanced were it provided that any change in the British tariff should apply to Ireland, unless or until it was altered by the vote of an Irish Parliament. The impossible task of asking an Irish Parliament to ratify the changes made at Westminster every year would not have to be faced. A condition is at least more stable if its maintenance depends on the continued inaction of a popular legislature. At the same time the principle of fiscal autonomy would be unimpaired. For Southern



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Ireland, at any moment that she was willing to face a customs barrier, could make her own tariff without let or hindrance.

This suggestion, if it bears the test of a closer examination, might be extended to questions reserved under the present Act, like banking, which in the settlement here outlined would be transferred to the Irish legislatures.

We say "legislatures," because it is time once more to remind our readers that we see no chance of ending this conflict by measures which propose now or at any future time to place the six Northern counties in any respect under the legislative authority of all Ireland save and except by consent of their own legislature as now by law established. In brief, what we are proposing is to place the North and South, so near as may be, in exactly the same relation to each other as that occupied by Natal and Cape Colony under responsible government, with one single exception. Neither Parliament would possess, nor have any prospect of possessing, the right to vote a single penny on naval expenditure or to pass laws on that subject. Great Britain would retain the right which she still exercises at Simonstown, to control her naval stations and dockyards in Ireland, to select and acquire by purchase any further sites she may require for the purpose, and in war to exercise all powers necessary to prevent the use by an enemy of any part of the Irish coast for hostile purposes against the Commonwealth. It is impossible to be too specific on this point. As the attitude of Lord Grey has shown, no Government, however advanced, in England can ever divest her of powers without which, in the late war, interests far vaster than those of Great Britain would now be lying in ruins.

With this important reservation which Great Britain is in a position to maintain, the idea is to give colonial autonomy to the North and South, leaving the two self-governing colonies to unite in their own time by a constitution agreed between themselves. Once established on that

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footing, Ireland, free to control her destiny for herself, can then decide how she can best realise it. If ever she returns to an organic fiscal union with Great Britain, it can only be by her own choice, willingly made in the light of an experience gained for herself. The proposal means giving to the North every power given to the South, but yet leaves the North in exactly the same relation that she now occupies to Great Britain, unless she herself uses her new powers to change that relation. In this respect the proposal that changes made in British tariffs should apply to Ulster unless rejected by her own Parliament is all important. Every new power granted to the South should also be given to the North. But Ulster would not be called upon to exercise those additional powers unless she found it to her interest to do so. An alternative course would be to give Ulster the option either of remaining just as she is under the present Act, or of receiving all the additional powers given to the South.

The proposal must of necessity mean that the Parliament in Dublin might, and in all likelihood would, take steps necessitating the erection of a customs barrier between North and South. It might vary the laws relating to matters like banking or insurance in such manner as to produce grave dislocation in business and industry which centres in the North. The proposal to establish and administer a frontier between the two, such as that which divided the Transvaal from Natal and the Orange Free State before their Union, is described as impossible. But such lines exist all over Europe, and in dozens of cases have, since the war, been created between territories where they never existed before. Under the suggestions we are now considering the maintenance of fiscal unity between Ulster and Great Britain would rest entirely in the hands of Ulster. They involve a risk, nay, a likelihood, of a tariff between that area and Southern Ireland. But if Dublin persists in that course, it will do so with its eyes open to the consequences. The waters which divide Ulster from



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Great Britain are, for the purposes of transportation, a link rather than a barrier. All measures excluding the North from commercial communion with the South will simply operate to knit Ulster more closely even than she is now knitted into the social and economic fabric of Great Britain. If barriers are erected by Dublin, Ulster will quickly adapt her economic system to the new conditions, and Southern Ireland will be presently faced by a province almost as difficult for her to incorporate as Scotland.

The difficulties raised by fiscal autonomy are hardly less when we come to the question of a separate income tax. One has only to think of the case of a bank or insurance company with branches distributed all over Great Britain and Ireland to see this. Two or more separate systems of income tax will involve the keeping of elaborate returns, increased expense to Government and the industries, and bureaucratic obstacles to business. Nor can the taxpayer be always secured against liability to be taxed by two Governments on one income. When we say that the difficulties of financial autonomy are not insuperable we simply mean that these things can always be done at a cost. It is not improbable that the dissolution of the Austrian Empire into separate political units will destroy values in those territories to a greater extent than the war itself, unless in due time some new political union is effected, stable because based on the willing consent of the communities concerned. Without such a reconstruction Austria will fade to a shadow of her former self. Her economic life cannot revive on the present basis. In Ireland fiscal partition will scarcely injure the prosperity of Ulster so gravely as an indefinite continuance of the present struggle. If North and South were once put in the same relations to each other and to Great Britain as two self-governing colonies, they would then be faced by the same problems, and the example of those colonies would point the way to similar solutions. It might even prove that the great majority of Irishmen would discover that Ireland united,

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autonomous, and free in the true sense of the word is possible only in some organic union with Great Britain for the control of interests really common to both. But of this we are now convinced, that that day will never dawn until Irishmen have known what it is to control everything within the limits of their own territory, even though in doing so they damage not only themselves, but their neighbours. They must also feel that their future relations with Great Britain rest entirely in their own hands. No other treatment will touch the seat of a malady so subtle, so radical, so ancient, and so terrible in its causes. The one path to safety now lies through perils only less than those of the situation in which we stand. But they are less, for it is difficult to imagine any situation more dangerous than things as they now are.

The Council of Ireland, created mainly for the purpose of dealing with the difficult case of the railways, would probably have to remain as it is. How difficult this case is will be seen when it is realised that between Dublin and Belfast the line crosses the boundary between the two areas no less than six times. The Council is in any case worth maintaining as a machinery for dealing with fiscal questions and other matters really common to the whole of Ireland, and also as a bridge to ultimate union.

Let us now turn to the question of debt. The position adopted by the different sections in Ireland are various. The Ulster Unionist scorns the idea of repudiating his due share in the National Debt. On the other hand, he holds that the present Act saddles Ireland with a share which is far too heavy. Ireland, as we have seen, is charged under the Act for the first two years with £14,500,000 for Imperial expenses, past and present ; that is to say, for debt and also for Imperial Defence. But Ulster holds that this contribution is excessive. Five million pounds is sometimes mentioned in the North, as well as in the South, as a suitable figure. The Southern Unionists and Nationalists are more divided on the subject. Some take



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the position that the debt can easily be apportioned by mutual agreement. Others say : " Let England be generous and start Ireland on the career of autonomy free from all debt. It may sound mean of us to suggest such a course, but England will find generosity cheaper in the end. It will pay her over and over again to have at her elbow an Ireland which is really friendly." The extreme Sinn Feiner is disposed to repudiate all liability " for the debts contracted by a foreign Government to pay for Imperialist wars." It is impossible, however, for any person to argue in cold blood that Ireland, which but for the present struggle is as prosperous as any country in Europe, is the only one to which no public debt is in equity attributable. Advocates of total exemption have, therefore, to fall back on the plea that complete generosity is the truest wisdom.

It is clear that the necessary consequences of appropriating the charges for the whole debt to the taxpayers of Great Britain, has not been thought out. Those charges for interest alone amount to £10 a head per man, woman and child of the whole population of the United Kingdom. If Ireland were discharged of all obligation, the burden on British taxpayers would have to be increased accordingly. Great Britain would then have to raise more than £10 per head of her population, while Ireland would have to raise nothing at all on the same account. The burden of taxation is of course reflected in the costs of industry. The results can be best illustrated by the case of ship-building. A shipping company issues tenders for ship construction to the amount of £10,000,000. The estimates framed by the yards on the Tyne, Mersey and the Clyde will all reflect the charges imposed to meet the greatest burden of debt which any country has ever carried, not excepting Germany at the present time. The estimates of Belfast will be free of those charges, so that business will tend to go to Belfast. And as Belfast got the orders, so would it have no difficulty in obtaining capital to build the slips and other necessary plant. But the matter will not

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stop there. Belfast must find the skilled labour to work the slips, and it will be found, not in Dublin or Cork, but in the derelict yards of the Tyne, Mersey, and the Clyde. A transfer of population from Great Britain to Ireland will follow. And the same applies, though less conspicuously, in every sphere of competitive industry. The Irish farmer now normally owns his land. The British farmers are coming to do so, by reason of the taxation which is forcing the landowners to break up their estates. The competitive market of both is Great Britain, and in that market the British farmer will be heavily undersold by his Irish competitor. In Great Britain the system would amount to protection against the home producer heavier than any country imposes in favour of its own agricultural industry.

These very conditions prevail at the present time in the Channel Islands. The number of immigrants there is limited only by the lodging available. If the British Debt is increased to free Ireland from all burden whatever, a wholesale emigration of people with small independent incomes to the country where living is much cheaper will begin. The burden of those who cannot move will increase accordingly. A demand on the part of the British electorate would arise for measures of protection which no Government could resist. An export tax on coal and iron would be imposed, coupled with import duties on Irish produce. The proposal to exempt Irish taxpayers from all debt charges, apart from its utter injustice, would oblige Great Britain to penalise Irish industries by every means in its power, and thus ensure a permanent hostility between the two islands, the primary condition which all statesmanship should endeavour to avoid. The moment its implications were understood, no British Government could accept the proposal, least of all a Liberal and Labour Government. No one in Ireland to whom we submitted these considerations was able, or indeed disposed, to question their gravity. Even the extremists are averse to creating condi-



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tions which must attract a new and formidable wave of migration from Great Britain.

We cannot subscribe, however, to the view commonly advanced that the apportionment of the debt could be settled by agreement between Great Britain and Ireland. The factors of which account must be taken are highly contentious. It is insisted, for instance, by Irishmen, that except for two or three years before the war, Ireland has always since 1800 contributed more than her fair share to Imperial expenditure, and that all this ought to be taken into consideration in estimating the proportion of debt she ought to carry. To assume that two communities can agree on contentious points like these is flying in the face of all experience. The two states into which Virginia was divided after the Civil War have never agreed on the apportionment of the previous debt. Under similar circumstances the directors of a railway or some other great corporation which had decided on partition of the whole business would scarcely attempt to settle by agreement the apportionment of debentures. They would go to arbitration or, failing the settlement of terms of reference, the matter would come into the courts, which would have to settle, not merely questions of arithmetic, but also the principles of partition, after hearing full argument from both sides.

The future fiscal relations of Great Britain and Ireland are clearly a question which could never be submitted to arbitration. The division of the debt is eminently suitable to such treatment, and in Ireland we found a general disposition to refer the whole matter to judicial decision on two conditions. The first of these conditions was that all points should be left for the decision of the arbitrator. If Ireland claims the right to argue that she was overtaxed for more than a century, let the court decide whether such an argument can be heard at all. And if such argument is admitted, let the court decide whether she was in fact overtaxed, and if so the extent of the overtaxation, after

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hearing the arguments of both sides. The reference should be open, leaving the court to decide the principles of division as well as questions of arithmetic. The court of arbitration would also have to decide how much of the Irish debt was attributable to North and South respectively.

The second condition was that the president of the court, with whom the casting vote lies, should be someone disinterested in both countries, and be nominated by someone in the same position. The principle of arbitration, for which we are pleading, is already recognised in the duties assigned to the Joint Exchequer Board. But the Chairman of the Board, the essential arbitrator, is to be appointed by the British Cabinet. From the Englishman's point of view a greater mistake could scarcely be made ; for awards made by a judge nominated by one party will never be accepted in Ireland as just. The Chairman should clearly be brought from one of the Dominions, and be nominated by some authority in whichever Dominion is least connected with the Irish question. The favourite suggestion we found was that some competent chairman, born and domiciled in one of the Dominions, should be nominated by General Smuts.

Debt represents mainly the cost of defence in the past. We may now turn to the future. The machinery for determining by arbitration what this contribution should be from time to time already exists in the Act. But it ought to be amended by provision for a chairman appointed on the lines already discussed. As a permanent arrangement the appointment of the Chief Justice of South Africa as the person to select a chairman from outside the British Isles would perhaps prove the arrangement least open to exception.

The payment of the future contributions must, for the reasons already given, be left to the discretion of the Irish Parliament or Parliaments, and if paid, carry the right of equivalent representation at Westminster. The right to such representation might stand for five years and run on



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in any case to the dissolution of the Imperial Parliament then sitting. If the payments had been fully met at the end of five years it would continue automatically. The objections to this course are obvious, but to some extent they apply to the Act as it now stands.

Whether Ireland has been undertaxed or overtaxed, it is probable that under the Union she has suffered by the fact that so little of her contribution to Imperial expenses has been spent in Ireland. In England the rural districts, and indeed all the provinces, have suffered in the same way. The great towns, and especially the Metropolis, usually get far more benefit from the local expenditure of public revenues than the rural districts. That benefit operates to increase the population of the metropolis at the expense of the provinces. But Great Britain as a whole does not lose thereby. Ireland, with her separate national consciousness, bitterly resents the feeling that her contribution to Imperial charges is so spent as to diminish her own population while increasing that of the sister isle. Scotland has no such feeling. Her admirable system of education enabled her people to occupy London. From the date of the Union Scots filled the more responsible posts in ever increasing numbers, and London probably contains more Scots than Edinburgh. For them London, not Edinburgh, is the capital of the country which claims their final allegiance. The contrast serves to show the essential failure of the Union in Ireland. A city does not consist of walls, nor a country of land. It consists only in the minds of men. Our suggestion, therefore, is that any contribution to Imperial charges made by Ireland should be spent so far as possible in that country or on the purchase of Irish products. In order to get at the facts the Joint Exchequer Board might be charged with the task of reporting how far the contribution is expended in this way.

We now come to the question of defence. So far as naval affairs are concerned we cannot picture a British Government renouncing powers without which Great

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Britain would lie at the mercy of any foe able to maintain a fleet of submarines, or conceding to Ireland the right to maintain a separate navy. Least of all would a Labour Government be prepared to make a concession which would mean at once a formidable increase of their naval estimates. And such a restriction can be made because Great Britain is always in a position to enforce its terms. With agreements restricting the organisation of troops it is otherwise. Experience with Germany has already shown how fruitful in misunderstandings and in charges of bad faith such agreements are. It can always be argued that authorised forces are being organised and developed in practical contravention of limits agreed upon. Even a police force can be organised as the nucleus of an army, and such prohibitions encourage the growth of irregular forces which the Government bound by the agreement cannot control. Restrictions which cannot be clearly enforced invite a challenge from those who resent them. Great Britain has less to fear from a standing army in Ireland than from a standing quarrel with its people. It will, of course, be necessary, while passions are cooling, to maintain Imperial forces in Ireland to prevent any attempt of either province to coerce the other. After, say, five years it should be within the option of either Government to request the removal of British troops from its own area. The police should pass to the control of those Governments forthwith. The suppression of internal violence should be the first task to be laid on the new Governments.

In all this we have said no word of negotiations. One reason is that Irish distrust of England and of its Government is such that negotiations are almost certain to fail from the outset. But if we have rightly analysed the position, there is indeed no room for negotiation so far as the main outlines of a settlement are concerned. There is, for reasons we have given, a point beyond which no Government which desires to end this conflict can go without opening a new and more comprehensive chapter of bloodshed. No



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Government can concede a Republican status to one section of Irishmen without depriving another section of their status as British citizens, which they will stake their lives to maintain. And the same applies to any proposal to render the North now or hereafter subject to a parliament in Dublin without the consent of its own parliament in Belfast. No British Government could carry a proposal which would interfere with full naval control of Irish coasts. On the other hand, the Act already passed aims at a solution which if realised would mean that an Irish Parliament might ask for, and if it asked would obtain, all other powers the transfer of which is here suggested. England cannot concede these powers now to the Irish people as a whole because they are sundered into two parts by a division which no one in the world but themselves can bridge. Nor will any mere promise to concede them end the matter, because no guarantees of fulfilment can be given which in the light of the past have the least chance of acceptance. The last avenue which remains open to better relations between these Islands is the old and well-tried path of establishing the North and South of Ireland on the footing of two autonomous colonies, after first eliminating, so far as may be, all external interests which may stand in the way of their coming together. We have only attempted to outline such a settlement. In the space available no more is possible. We believe, however, that on these lines an amending Bill could be framed, and that in framing it the further details could be worked out and would present no insuperable difficulties.

The measure we suggest is avowedly one which would leave nothing that any alternative Government could offer for the purpose of restoring peace, one to which no responsible leader in Parliament would be able to propose a further concession. Such a measure enacted by agreement between the leaders of all parties might end a conflict which threatens the very foundations of civilised life. The responsibility which rests on the Liberal and Labour

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leaders is no less than that which rests on the Government. If they were to pronounce the measure one which left them no further concession to propose, Irish opinion would in time recognise that finality was reached. The world would at any rate know that Parliament had left nothing undone to end the struggle.

The means whereby Nationalist Ireland could come to a decision are now in existence. The South of Ireland has elected its members. Government should have no difficulty in giving them all safe conduct to a meeting for the public discussion of the new position when it is created. But Government should ignore anything short of a public discussion. If the spokesmen of Sinn Fein decide to continue the struggle when nothing remains which any alternative Government could concede, the people who elected them are at least entitled to have the reasons publicly discussed. The issue would then be clear, and ought to be referred for final decision to the electorate itself.

Once more let us say that even if all this were done, the struggle may continue to its ruinous end, because one side is led by men with no experience beyond that of organising strife, and blind to all political values. But purely psychological factors are not confined to one side only. Since the breakdown of the autumn negotiations a palsy of despair seems to have fallen on Ministers in charge of the whole situation. A crisis so long continued, so growingly desperate, so elusive of all their efforts to solve it, seems to have induced a spirit of fatalism. In the immense pre-occupations of these times no further effort seems to be made by those in authority to see whether there are any means as yet untried. The very talk of negotiations proves that such means exist, and that Ministers feel that they have still some cards in their hands. It is surely the wiser and nobler course to produce them forthwith, and to know once for all that nothing we can do to end this degrading struggle has been left undone. The province of force in



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human affairs is to give moral ideas time to take root. Force, like punishment, is justified only so long as its exercise will render its ultimate use unnecessary. Continued beyond that point it destroys the fertility of the soil in which moral ideas can grow. It must then be left to fallow for years. The time has gone when force could avail to unite the North of Ireland with the South. Their union must now proceed from the free and willing agreement of both, the weaker party knowing that force cannot be used. And so it now is with Great Britain and Ireland as a whole. Their future communion must spring from an Ireland which feels itself as free to choose as Great Britain itself. It is thus only that Ireland can be freed from the bondage of a hatred that is warping her nature.

The suggestions here outlined are in no sense a settlement of the Irish problem. At best they are designed to pave the way to a solution which can only be found by future generations. If accepted, they would end the terror under which all Ireland writhes. When carried into effect they would in the slow process of time induce that tolerant and sober frame of mind, that deference to facts, which no people can develop until chastened by self-control. But these measures would create a new range of problems only less difficult and dangerous than those with which we are now faced. But the one condition of solving any problem between these two Islands is an Ireland unified and reformed by herself. These proposals are advanced as offering some promise of realising that essential condition, as well as of ending a conflict which degrades us in the eyes of the civilised world.

We have so far limited ourselves to enquiring what Great Britain, the predominant partner in this struggle, can do to end it. There is, however, another and much more hopeful exit which cannot be found by any one whose followers are on this side of St. George's Channel. We have, as we have said, little hope from any negotiations between Ministers and the leaders to whom they are

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opposed in Ireland. Irish distrust of the British Government is too great. It really arises from the difficulty which any Government in this country has in securing that Parliament, including the House of Lords, will ratify the terms to which it agrees. That is why we see no prospect of ending this conflict by agreement until Parliament has ratified the fullest measure of autonomy for Ireland which can be offered without renewing the struggle in a form even more deadly. But circumstances place Ulster in a wholly different position. The unhesitating attitude she took in the war has for ever freed her from the risk of coercion. She now knows that British bayonets will never be used to coerce her, that never will the British people again propose to deliver her bound to Nationalist Ireland. There is nothing which so narrows the outlook of a people as the menace of force, as a glance at Nationalist Ireland will show. The moment she realised that this threat was withdrawn Ulster was quick to respond. She accepted a measure of autonomy which she did not want, although it was consciously meant to lead her into harmony with the Nationalist ideals she had long resisted. And this she did, realising that venom from this ancient sore is fast spreading through every vein of the British Commonwealth.

In taking this step Ulster unconsciously acquired in Irish affairs a position stronger than Great Britain herself. Sinn Fein has ceased to believe that Parliament will ratify any terms which its leaders might settle with the British Cabinet. But it knows that Parliament will accept any settlement made by North and South in willing agreement between themselves. The initiative of Ulster in advising that Southern Ireland should be given the fullest measure of autonomy which a British Government could in practice grant would change the whole situation. From the nature of the case, her motives would be pure and be recognised as such. The settlement she proposed would place it in the power of a Dublin Parliament to exclude her from trade with the rest of Ireland. What possible



motive could she have for taking this step? None but one, the extreme opposite of that which inspires the forces of Sinn Fein, a devotion due, not to the United Kingdom, but to a Commonwealth embracing a quarter of the world. It sometimes happens that a people intent on practical business and little accustomed to talk of ideas surprises the world and itself by responding to the call of a great opportunity.

# THE MEETING OF THE IMPERIAL CABINET

## I. THE GENESIS OF THE MEETING

**I**N June there is due to be held in London a meeting of the Prime Ministers of the self-governing communities of the Empire. Representatives of the Government of India will also attend this meeting. Its purpose is to take counsel upon important practical matters affecting the whole British Commonwealth, and if possible to determine by common consent, in the light of agreed decisions upon policy, the lines of action to be taken by the several governments represented. The name given to the body to be assembled is "The Imperial Cabinet"; but it is important, first, to be clear as to what it is that that name stands for to-day; and, secondly, to form an idea of what are the actual objects of the forthcoming meeting.

The Imperial Cabinet is the product of a process of evolution, greatly hastened by the war, from the old Imperial Conference of the later years of the last and the opening years of the present century. The old Imperial Conference accurately reflected the theory which obtained in those years of the relations between the United Kingdom and the "self-governing Colonies" as they were originally called before the name "Dominions" came to be applied to them. That theory was that the autonomy of the Dominions was a strictly local affair. Within the four corners of their own territories their rights of self-govern-



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ment were, as Mr. Asquith described them at the Conference of 1911, "absolute, unfettered, complete"—but there they ended. The conduct of foreign policy, the issues of peace and war throughout the Empire, the discharge of British responsibilities towards India, the Crown Colonies and Dependencies, were matters for the Government of the United Kingdom alone. The Government of the United Kingdom, directly responsible solely to the Parliament and people of the British Isles, was also the Imperial Government. The theory was in accord with the facts of the time, and the practice of holding periodical conferences of Dominion Prime Ministers under the presidency of the Secretary of State for the Colonies was in accord with the theory. Naturally the politeness of British statesmen led them to emphasise the fullness of Dominion autonomy within its limits rather than the narrowness of the limits themselves. "Each of us," said Mr. Asquith in the speech to which reference has already been made, "are and intend to remain master in our own household. This is the life blood of our polity. It is the *articulus stantis aut cadentis Imperii*." But the limits remained, both in theory and in fact.

In these circumstances it is not a matter for great surprise that the pre-war Imperial Conferences should not have been very prolific in practical results. British and Dominion statesmen met in an atmosphere of mutual admiration and social festivity, debated such matters of Imperial concern as uniformity of legislation in regard to patents or naturalisation, the establishment of a State-owned cable across the Atlantic or the possibility of an "all red route" to Australia, and went their way—to assemble again a few years later, wondering a little, it may be, at the paucity of the actual harvest that had rewarded their co-operative sowing. The range of the Imperial problems which could be solved by action on the part of the Dominion authorities within the limits of their powers was not wide. The handling of questions of real Imperial moment fell within

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the competence of the Government of the United Kingdom alone.

As time went on and, on the one hand, the German menace to the peace of the Empire became more and more insistent, while on the other the Dominions continued to grow in population, wealth and importance, the state of things which we have described was felt to be increasingly unsatisfactory. It was felt that peoples whose most vital concerns, on which the issues of peace and war depended, were managed for them by another people, whose principal means of external defence, the British Navy, was wholly controlled and almost wholly paid for by that other people, were autonomous only in name, and that local self-government and full self-government were two very different things. For in the modern world a civilised community cannot be wholly self-contained. Its local affairs are not and cannot be co-extensive with the totality of its affairs. External affairs, relations with the outside world, it must have, just as an individual must have relations with his neighbours. These external affairs must be managed by somebody; if not by the community itself then by some other authority. If they are exclusively managed by the community itself then the community is an independent sovereign international State. If they are managed by another authority, as in the case of the Dominions they were managed by the Government of the United Kingdom, then the community is very far from being in any full sense self-governing.

But though the great question of harmonising the real self-government of the Dominions with the unity of the British Empire had begun seriously to exercise men's minds; though Canada and Australia were attempting to deal with the problem of their own naval defence; and though the Imperial Conference had begun to assume as by far its most important function that of affording an opportunity for the frank and confidential initiation of Dominion Ministers into the real mysteries of foreign



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policy, previously regarded as a closed book to be opened only by the *illuminati* of Downing Street, the theory sketched above of the relations between the United Kingdom and the Dominions still held the field. Its candour was sometimes veiled and its truth obscured by the metaphorical phrases concerning "sister nations" and the like which fall so glibly from an English tongue, but it continued to accord with reality. And, in fact, when the great crisis suddenly arose in the summer of 1914 and the whole Empire was committed to a life-and-death struggle, the Dominions had had no more voice in the vital decision of the British Cabinet, or in the diplomacy which preceded it, than they had had in 1899.

The sufferings and sacrifices of the Dominions and of India during the great war, and the triumphs which they so largely helped to win, produced alike a new growth of nationalism in them and a determination never again to be placed in the position of being called upon for such sufferings and sacrifices otherwise than through their own deliberate act.

Holding fast to the central doctrine of the unity of the British Empire, the Dominions felt, and the Mother Country freely acknowledged, that they were entitled to be recognised as having achieved a national status equal to that of the United Kingdom itself; that the old status of subordination to the United Kingdom in all but purely local affairs was intolerable, and that in future all questions affecting Canada, Australia, New Zealand and South Africa, including the great questions of peace and war, were questions for the people of those countries, just as the corresponding questions for the United Kingdom were questions for its people. A new orthodoxy came to be substituted for the old, and was enshrined in the phrase "equality of national status."

That there were difficulties in combining this new orthodoxy with an unabated adherence to the doctrine of the unity of the British Empire was obvious; but the task

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of winning the war left little leisure for the speculations of political philosophers. What was done was to institute the "Imperial War Cabinet," consisting, besides the United Kingdom Ministers specially responsible for the conduct of the war, of the Prime Ministers of the several Dominions and of a representative of the Government of India. The inclusion of the representative of India, notwithstanding that India was not a self-governing State even in purely local affairs, was highly significant. India had not previously been represented at Imperial Conferences, but open recognition was now given both to the immense importance of India in Imperial affairs and to the fact that the discharge of British responsibilities towards India concerned the whole Commonwealth and was no longer the exclusive concern of the United Kingdom.

The Imperial War Cabinet was charged with the duty of formulating on behalf of the British Crown, the common sovereign of the whole group of British belligerents, the vital decisions called for by the struggle. It was hardly an executive authority in the ordinary sense, for it is impossible to think of an executive under the British parliamentary system as being responsible to more legislatures than one. And, in fact, its decisions had to be and were carried out severally by the several executives whose heads composed the War Cabinet. It was described by Sir Robert Borden as "a Cabinet of Governments," and the phrase is appropriate if a Cabinet is thought of not as a body corporate but as a private meeting-place. As in the case of a single Government the Cabinet is the place where departmental Ministers meet to adjust their differences, if any, and to agree upon a common policy which is subsequently carried out by the executive action of each in his own department, so in the case of the British Commonwealth the War Cabinet was the corresponding forum for the deliberations of the chiefs of the nations composing it.

The analogy is not perfect; for in a single State the Cabinet system provides machinery for dealing with



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irreconcilable differences of opinion between colleagues when they arise, as they not infrequently do. The War Cabinet system provided no such machinery, but happily no irreconcilable differences arose; and it cannot be doubted that the tremendous external pressure of the war operated powerfully to prevent them.

With the end of the war the Imperial War Cabinet passed away; and it was the diversity of the parts rather than the unity of the whole British Commonwealth that received emphasis alike in the negotiations that led up to the Treaty of Versailles and the Covenant of the League of Nations, and in those documents themselves. The Treaty was signed by the representatives of the Dominions and of India as such, each signing on behalf of the particular community represented by him. These several communities are, as such, members of the Assembly of the League of Nations, enjoying in it a status recognised as equal with that of the United Kingdom or of any foreign Power; and Australia and South Africa have received mandates for the government of territories once forming part of the German Empire direct from the principal Allied and Associated Powers.

Perhaps the clearest and boldest exponent of the new orthodoxy has been General Smuts. Among many public utterances of his since he returned to South Africa from Paris it will be sufficient to quote one. Speaking in the Union Parliament in September, 1919, he said:—

Until last year British Ministers had signed all documents and dealt with all matters affecting the Dominions. But a change had come about in Paris when representatives of the Dominions had, on behalf of the King, for the first time signed the great documents on behalf of the Dominions. The change was that in future the representatives of the Dominions should act for the Dominions. This precedent had now been laid down for the future. The British Constitution was most elastic, and the precedent might bring about the greatest changes. Where in the past British Ministers could have acted for the Dominions, in future Ministers of the Union would act for the Union. The change was a far-reaching one which

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would alter the whole basis of the British Empire. In future all parts of the British Empire stood exactly on the same basis.\*

General Smuts has repeated this thesis again and again in the course of his electoral struggle with the forces of secession arrayed against him under General Hertzog. He has been emphatic that South Africa cannot be committed to war, or even to peace, without her own act ; but he has pointed throughout to the link between the different nations of the Empire afforded by their common allegiance to a single Crown, and he has at no time gone beyond the implications of the formulæ used by the leading statesmen of the United Kingdom itself. These statesmen have recognised not merely that the Dominions have reached "equality of national status" with the Mother Country, but that the Imperial burden has become so heavy that the Mother Country cannot, if she would, long continue to bear it alone, and that, if that burden is to be shared with the Dominions, power must equally be shared with them. The other Dominion Prime Ministers have spoken in the same sense as General Smuts.

It has not, however, escaped notice that the reconciliation of the doctrine of absolute equality as between the Dominions and the United Kingdom with the doctrine of the unity of the British Empire presents difficulty. In 1917 the "Imperial War Conference" which sat simultaneously with the Imperial War Cabinet resolved "that the readjustment of the constitutional relations of the component parts of the Empire is too important and intricate a subject to be dealt with during the war, and that it should form the subject of a special Imperial Conference to be summoned as soon as possible after the cessation of hostilities ;" and in the course of the session of the South African Parliament, to which reference has already been made, General Smuts indicated that it would be necessary to alter the form of inter-Imperial relations in

\* For a fuller statement of General Smuts' position see the South African article in *THE ROUND TABLE* for March, 1921.



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order to bring them into harmony with what he had stated to be the substance.

There for the time being the matter rests. How the orthodox believer of to-day is to worship the diversity in unity and the unity in diversity of the British Commonwealth, neither confounding the persons by undue centralisation nor dividing the substance to the point of the complete independence of its parts, is a question which awaits solution by some Athanasius of Empire who has not yet appeared and would probably find himself *contra mundum* if he did. For the present this fundamental question is shelved. Its solution, we have been officially told, forms no part of the task of the meeting of Prime Ministers to be held in June. The constitution of that meeting is to be the same as that of the Imperial War Cabinet, which we have described, though it is to address itself to the problems not of war but of peace; and there are many very pressing problems of the most practical moment which await its attention. Our method, as is customary with us, is to be empirical. On the eve of quitting office Lord Milner said:—

Everybody knows, without doubt, the part taken by the Dominions in Paris in 1919, and the fact that they became independent signatories to the Peace Treaty has been commented upon and its significance emphasised until people must be weary of hearing about it.

There has never been any question in my own mind as to the status of the Dominions in the Empire. I have said years before now that all vestige of subjection on their part to the Mother Country must disappear, as it has in fact disappeared, and that the only basis on which the Empire could survive as a political entity was the basis of partnership. That appears to me to be simply a commonplace, and the whole problem with which we are now faced is how to make the partnership work. That is not at all easy, and it seems to me that our time would be better spent if, instead of going on affirming and reaffirming the independence of the Dominions, which nobody disputes, we should concentrate our attention on the practical point, which is how six independent governments at different ends of the earth can give one another the greatest mutual assistance and how they can most effectively uphold the interests which they

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have in common. . . . All sorts of things are happening which affect the future of Empire, with regard to which we ought to have a common policy. It is of urgent importance that the several independent States should come to a good understanding on these immediate practical problems. In the absence of any regular recognised method of consultation we have to find some temporary expedient for interchange of views, and to that end it has been agreed that there should be a meeting of the Prime Ministers of the different Empire States next June to deal with urgent questions of common interest which simply cannot wait.

It is in that spirit that it is contemplated that the Imperial Cabinet will meet.

### II. THE PROBLEMS BEFORE THE MEETING

THE practical problems with regard to which the adoption of a common policy for the Empire is a matter of such urgent importance fall into two classes, the external and the domestic.

(i) The external are those problems of international politics which result from the Great War. The United Kingdom can no longer face them alone and assume the sole responsibility for dealing with them, both because of the new status of equality which the Dominions have acquired, and because, burdened as she is with war debt, she is no longer strong enough to maintain alone the position in the world which the British Empire has held in the past. True it is that all the Great Powers of Europe have emerged from the war proportionately more weakened than the United Kingdom, and that the armed might of Germany has disappeared, as has that of Russia. But the United States and Japan have emerged proportionately far stronger than before, and while it is legitimate to hope that in the course of years the League of Nations may develop a moral force which may diminish the importance of national strength, it is unhappily still the case that the settlement of international affairs depends in the last resort



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on the relative power of the nations concerned in them. Potentially the United States is to-day the strongest Power in the world. A spirit of Chauvinism has been perceptible in America since the disappearance of President Wilson and the election of his Republican successor ; and, though the United States continue to hold themselves somewhat ostentatiously aloof from the diplomatic entanglements of Europe, they might be disposed to make, and could if they were so disposed make themselves the paramount Power in the Pacific. Such a policy would be apt to bring the United States into conflict with Japan, especially in regard to the future of China, where America stands for the open door, while Japan is generally credited with the desire to establish for herself a predominant position, and might force Australia, New Zealand, and Canada, if they remained in isolation and declined to take their full share in what has hitherto been the burden of the United Kingdom, to look to the United States rather than to the United Kingdom as the ultimate protector of the position they enjoy.

The problem here, then, is what should be the policy of the British Empire in regard to the United States, and, arising out of that, what should be the policy in regard to the renewal of the Anglo-Japanese Alliance, what measures of naval armament are required to execute any policy that may be adopted, what provision by way of dockyard facilities, fuelling stations and the like is required to carry out any agreed naval programme, and in what proportions is the cost of carrying out such programme to be borne by the British partner-nations concerned ?

It will probably be found that the principal object at which the foreign policy of the British Empire should aim in its non-European aspect is a secure friendship with the United States. Now as always, and more than ever before, the supreme interest of the British Empire is peace ; and just as strife between the two great states of the English-speaking world would be of all international crimes the

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most horrible, so permanent co-operation between the two offers the best hope for the permanent tranquillity of the world. The complete attainment of this object may in the present temper of men's minds involve some sacrifice on our part. It is probable, indeed, that it may even be necessary for us to resign the position which we have so long maintained of being the strongest naval Power of the world, and to be content with a position, not indeed of inferiority to any other naval Power, but of equality with another if that other be the United States.

The wise course would seem to be to endeavour to reach an understanding with the United States, whereby competition in naval construction should be definitely avoided. Great Britain has already officially announced its willingness to accept the principle of equality as between the United States and the British navies. If the United States and the British Empire can each accept a foreign policy in which friendship with the other is the cardinal element, it should not be difficult to work out the implications of that policy in regard to the problems of the Pacific and the Far East; but the task involves, as already stated, the finding of an answer to the question of the renewal of the Japanese Alliance.

This question was discussed in *THE ROUND TABLE* for December, 1921, in an article entitled "The Anglo-Japanese Alliance," and it is not necessary here to repeat the argument of that article. The conclusion there reached was that we required friendship both with the United States and Japan, and that "the whole Far Eastern question should be frankly and openly discussed at a conference at which the United States, Japan, China, Great Britain, Australia and New Zealand, Canada, South Africa, and India, and if possible France and Russia, should be represented." The desirability of such a conference seems undeniable, but the question has first to be decided with what policy in their minds the British nations should enter it. If that policy is one of close and firm friendship



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with the United States, based on equality of armament, it ought to be one of close friendship with Japan. The rôle of the British Empire is clearly that of mediator between the European and the Asiatic races, and, if Japan accepts the principle of equality of opportunity and the open door for all nations in China, there ought not to be any difficulty in finding the basis of an all-round understanding. A renewed Anglo-Japanese Treaty might be part of such an arrangement, though the treaty would probably not take its present form. The Imperial Cabinet in June can hardly do more than agree on general lines of policy. It cannot frame a British naval programme, even if the possibility of arriving at a firm agreement with the United States involving equality of armament with them be taken for granted. The strength of the two equal navies must in a large measure depend on the Japanese programme, and it is only at a subsequent international conference that it will be possible to discover whether any agreed limitation of that programme can be fixed. But the Imperial Conference can discuss and, it is to be hoped, settle the method in which the various partner nations will contribute to the total defensive strength of the Empire, whatever that total may have to be.

It has to be borne in mind that naval power means not only ships, guns and men, but adequate docking and fuelling facilities and the like. If, for example, the execution of an Imperial policy agreed upon in concert by all the partner nations requires the employment of "post-Jutland" battleships in the Pacific, there must be a sufficiency of British dockyards in those waters capable of receiving them. Their situation has to be determined. The fair distribution of the responsibility for the cost and management of dockyards, no less than of ships and men, is a matter to be agreed upon between the partners. The problem of unity of command has to be faced, and cannot be left to await, as in 1918, the extreme crisis of danger.

The other great group of questions of foreign policy

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which confront the British Empire is, of course, that connected with the execution of the Treaty of Versailles and the measures which may be necessary to enforce it against Germany. Bound up with these questions is the problem of the economic reconstruction of Europe and that of British relations with European Powers, and specially France. British interests and the interests of world peace alike call for the maintenance of friendship with France. There is no doubt that this is recognised in Great Britain, and that such friendship is very generally desired. It is true that in recent months there has been anxiety as to where French policy with regard to Germany was going to lead, but now that France has agreed to a reasonable settlement of the Reparation question, these doubts are likely to subside. There are some, indeed, who think that Great Britain ought to enter into a special arrangement guaranteeing France against German aggression. They contemplate, no doubt, a corresponding guarantee on the part of France as regards the security of the British Empire, at any rate at certain dangerous points. It is, however, certain that no such arrangement would meet with general approval in this country unless it were accompanied by a serious determination on the part of both nations to establish relations of understanding and co-operation with Germany. The future peace of the world depends upon acceptance by the United States, the British Empire, France and Italy of the policy of co-operation in protecting and giving further effect to the principles for which these nations stood together during the war. Perhaps the League of Nations was not the machinery best contrived for promoting that co-operation, but the idea implicit in it is as sound and potent as ever. But its co-operation cannot succeed unless it aims at bringing within its orbit all the other great nations of the world, and especially our late enemies. A combination of the Allies designed to maintain their ascendancy over other Powers or to coerce their enemies could only end in the creation



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of another combination rivalling it in power. If the purpose of the war is to be achieved, this must at all costs be avoided, and that can only be done by the Great Powers repudiating aggression or aggrandisement for themselves and securing the co-operation and adhesion of other Powers to the principles for which they stand.

The Dominions, though not so directly interested in Europe as Great Britain, are inevitably concerned in European affairs, as the late war showed. It is essential, therefore, before any orientation of British policy consequent on the rejection by America of the League of Nations and the gradual completion of the peace settlement in Europe is decided, that the whole situation should be discussed with the Dominions, and the policy of Great Britain moulded by their necessities and desires as well as its own. For the success of British policy depends in the last resort on the power behind it, and that in turn depends upon the thoroughgoing determination and support of public opinion, not in Great Britain alone, but in the Dominions as well.

The same is true of British policy in regard to Russia, and the mandated territories in the Near East, departments of affairs which particularly concern India ; and in regard to Egypt, where the problem arises of reconciling a generous measure of local self-government for the Egyptians as recommended in the Milner report with the effective British control and protection of the Suez Canal, the highway of trade to the East and Australasia, and of providing the men and money necessary for that object.

No words more fittingly set out the present position as regards defence than the following used by the Prime Minister last February in Parliament :—

It is too much to ask these small islands, with the gigantic burdens they are bearing, and bearing very gladly, to undertake themselves the whole burden of the defence of this gigantic Empire in every sea, Atlantic and Pacific alike. I am looking forward to the meeting of the Prime Ministers of the Empire which will take place in June

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as an occasion for raising the whole problem of Imperial defence. There must be co-ordination not merely between the services but between the various parts of the Empire. When we were in trouble the Empire came to our help. We drew over a million men voluntarily from India and over a million men from the Dominions, and without their aid we could not have achieved those gigantic triumphs which now stand to the credit of the British name. But that was a spasmodic effort ; it was an effort which surged up out of a great instinct of the Empire. . . . If there is a general sense that we must make common cause to defend the liberties of the world and the interests of the Empire, and if it is known that, in the event of some great upheaval like the late War, the Empire is ready in future to repeat the great effort of the past, that will be one of the soundest guarantees for peace, for this British League of Nations has also got a word to say in the settlement of the world's affairs.

(ii) The domestic problems which await the meeting of the Imperial Cabinet are such as could only find their real solution if the greater problem of the permanent constitutional relation to one another of the partner nations in the British Empire in the new order of things had first been decided upon. We have seen that it is recognised on all hands that that problem awaits solution, and that the form of our institutions to-day is out of harmony with the substance, but that the attempt to solve it has been postponed and is not to be undertaken at the forthcoming meeting in June. Yet, since the necessity for facing it is acknowledged, it would seem that it will have to be decided at that meeting what the nature of the Imperial Convention which is to handle it is to be, and what is to be the date of its assembly. The attempt to deal now with minor questions the answers to which should logically follow and not precede the answer to the larger question, since in reality they depend upon it, is bound to be somewhat unsatisfactory. It is rather as though a legislative assembly should resolve itself into committee to discuss the details of a measure without having agreed upon its principle and passed its second reading. Yet the minor questions are urgent. Some temporary answer to them at any rate must be found ; and perhaps it is in accord with the empirical habit of the



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British mind to deal first with matters of practical detail rather than to attempt at the outset to formulate a general principle and then to deduce from it the answers to questions of detail.

The questions immediately arising relate to the practical working of a system of voluntary co-operation between a number of nations, each recognised as enjoying for all purposes, external as well as internal, absolute equality of status, each governed according to the British parliamentary system, and yet indissolubly linked together by a common allegiance to a single hereditary sovereign. How, seeing that distance still prohibits frequent personal consultation between Ministers from the different parts of the Empire, is that constant intercommunication postulated by the co-operative system to be provided for? Is the common sovereign to continue to be represented in each Dominion by a Governor-General sent out from the United Kingdom and appointed on the advice of the United Kingdom Government of the day, and is he to continue to be the officer primarily responsible not only for the performance in his Dominion of formal acts of sovereignty, but for the duty of keeping the Home Government informed of the affairs of his Dominion, and of interpreting to the Home Government the policies of his Ministers, and to his Ministers the policies of the Home Government? Or if the practice of sending out Governors-General from the United Kingdom is to continue, is each Dominion Government to have such a right of veto over the appointment of the individual proposed to be sent to it as to amount, in effect, to the right of selecting the individual? Or is his selection to be entrusted frankly to the Dominion Government, and if so, is he normally to be a citizen of the United Kingdom or of the Dominion concerned? Or is the office of the Governor-General to be discontinued? If so, in the necessarily long intervals that must separate the personal meetings of Prime Ministers is communication between them to be carried on purely by

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correspondence, or are the Dominion Governments to have accredited representatives in London and in each other's capitals? If so, are such representatives to be highly placed officials like the High Commissioners whom the Dominion Governments maintain in London to-day, or are they to be Ministers, colleagues, though subordinate colleagues, of the Dominion Prime Ministers themselves? If the latter, how in their case is that constant contact which a Minister should have with the Parliament and electorate, to which along with his colleagues he is responsible, to be provided for? And how, if the office of Governor-General appointed by the Government of the United Kingdom to the Dominion is to become a thing of the past, is the Government of the United Kingdom to secure its own effective representation through one of its own chosen and trusted servants at the capital of the Dominion?

A corresponding crop of questions arises in connection with the representation of the Dominions at foreign capitals. That they must be represented there in some way is obvious, and it might be held that they cannot continue indefinitely with satisfaction to themselves to be represented by British Ambassadors and Ministers appointed by, and responsible to, the British Secretary of State for Foreign Affairs, who is himself responsible to the Government and Parliament of the United Kingdom alone. Such a system was well enough while the doctrine was held of the leaving by the Dominions to the Mother Country of the control of foreign affairs, but seems incompatible with the new theory that the Dominions are to all intents and purposes sovereign international states. For no man can serve two masters, and no Ambassador more than one Government. Are the Dominions, then, to be separately represented by envoys of their own at foreign capitals? Canada has declared her intention of being represented at Washington, though she has not yet appointed her representative, and there would seem to be not inconsiderable



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local opposition to his appointment. Are the Dominion Governments to receive at their own capitals accredited representatives of foreign states possessing not merely consular, but actual diplomatic status? This is what the theory of complete equality as between the Dominions and the Mother Country might seem to call for. But if this course is adopted, how are the risks involved in divergence and inconsistency in foreign policy between a Dominion and the Mother Country or between one Dominion and another to be guarded against? Would not any movement for the separate diplomatic representation of the Dominions in itself presuppose that such divergence and inconsistency are more than a theoretical possibility? If it were not a real possibility, why should not a single British Ambassador or Minister at each foreign capital suffice for all practical purposes? Would there be any object in multiplying diplomatic offices by superadding Dominion representatives, except that of affording outward signs of the equality of the Dominions with the Mother Country? Is it not just because the foreign policy of the Mother Country may not in all cases be the same as that of the Dominions that the question of the separate diplomatic representation of the latter arises? Yet it can hardly be denied that divergent foreign policies pursued by different parts of the Empire would involve danger to the unity of the Empire. And where divergences of policy existed, would not separate diplomatic representation tend to accentuate them? How are the instructions to British and Dominion diplomats to be drawn so as to minimise this danger? And if no effective answer can be found to this question, what becomes of the unity in international affairs of the British Empire, the recognition of which is no less a part of the new orthodoxy than the recognition of the equality *inter se* of the members of it? How, if a number of British Ambassadors at the court of a foreign Power speak with different voices, is the foreign Power to tell which is the authentic voice of the King, whom they all alike represent,

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of the single sovereign of the British Empire, the international unity of which foreigners as well as British subjects are called upon to recognise ?

As in the case of the external questions, so in the case of the domestic questions that must come before the Imperial Cabinet, it is easier to formulate them than to attempt any answer. Such an attempt, indeed, must savour of impertinence, but certain general considerations inevitably suggest themselves.

Thus the existence of an equal status between the Dominions and the United Kingdom involves more than the right of the former to have plenipotentiary representatives of their own at the capital of the United Kingdom. It also involves the right of the latter to have a plenipotentiary representative of its own at the capital of each Dominion. It may be that the Dominions will prefer that the Governors-General should not in future fill, as they have hitherto filled, that office. They may desire the appointment of nominees of their own. But if effect were simply to be given to that desire, reasonable and legitimate as it would be in itself, the United Kingdom would be deprived of representatives of its own in the Dominions, while the Dominions would be left with representatives of their own in the United Kingdom.

A reasonable course, if the Dominions desire to have the appointment of their own Governors-General in their own hands, would seem to be to separate the formal and social functions of the Governor-General, which are analogous to those of a constitutional monarch, from what may be called his quasi-ambassadorial functions ; and for the Dominion Government to appoint any person agreeable to itself to discharge the former, while the Government of the United Kingdom should appoint a servant of its own to perform the latter, and to hold a position in the Dominion exactly analogous to that of the representative of the Dominion in London. In the particular case of South Africa the United Kingdom's local representative would



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have not only quasi-ambassadorial functions, but also those involved in the discharge of the duties at present resting directly upon the Government of the United Kingdom in regard to the administration of Rhodesia, Basutoland, Swaziland, and the Bechuanaland Protectorate. He must clearly, therefore, be a servant of the United Kingdom Government appointed by and directly responsible to it.

It will probably be found unnecessary that these Dominion and United Kingdom representatives should be Cabinet Ministers. It is true that the Imperial War Conference in 1918 resolved that the Dominions could be represented in London by colleagues of the Dominion Prime Ministers, but in no case has any such appointment yet been made. There could be no objection to the appointment of Cabinet Ministers on the part of the Governments to which they were accredited, but from the point of view of the Government appointing them there are, as has already been noticed, considerable difficulties. The system of appointing Dominion High Commissioners, distinguished citizens but not Cabinet Ministers, has worked well; and there seems little reason to change it, especially if personal meetings between the Prime Ministers themselves are to be fairly regular and frequent. The system is indeed the same as that adopted in the international sphere, where the separate sovereign states are represented at each other's capitals for all ordinary purposes by Ambassadors, very eminent civil servants but not Ministers. The system offers no bar to personal meetings between the Ministers of the different states, when, as has so constantly occurred during and since the war, matters arise of such importance as to render personal meetings necessary.

The questions which, as has been noticed, arise in connection with the representation of the Dominions at foreign capitals are exceedingly difficult. The mere formulation, attempted above, of these questions is sufficient to indicate their difficulty. It may perhaps be said that they

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will afford the test of whether the system of permanent voluntary co-operation between equals is really in the end a workable one or not. It has been seen that the separate representation of the different British nations at foreign capitals presupposes the possibility of divergence and inconsistency of policy between them and tends to accentuate such divergence and inconsistency. It may even be said that to decide at the outset that separate diplomatic representation is necessary, is to assume, without fair trial, that that co-operation on which the new orthodoxy is based has broken down already or must inevitably do so; and to commit ourselves to a course which leads directly to separation—nay, itself directly involves separation, open and avowed.

To predict what final form the representation at foreign capitals of the different nations which compose the British Commonwealth will take, or even to attempt to say what form it should logically take, is not within the purpose of this article. The British custom of proceeding empirically has already been mentioned, and the practical question at this moment is what is the next step to be. The principle of co-operation between equals no doubt demands that the Governments of the Dominions shall have equal power with the Government of the United Kingdom and with each other in framing the foreign policy of the Empire, equal access to all the available sources of information in the light of which foreign policy must be framed, equal power in carrying it out, and an equal share in the control of the machinery set up for that purpose. To whatever conclusion these premises may ultimately lead, they certainly require that the Governments of the Dominions should as soon as possible, equally with the Government of the United Kingdom, come into the closest contact with the hard realities of foreign politics and should have, as the Government of the United Kingdom has had for centuries, the opportunity of gaining in that stern school the practical experience which alone enables an Empire to shape its



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course. It is a matter of urgent and practical necessity that they should have eyes and ears in the outside world.

But more than that is necessary to meet the needs of the times. There is already in certain foreign capitals a considerable amount of international business which primarily or even exclusively concerns one or other of the Dominions. At Washington, for instance, business of this kind is continually arising between Canada and the United States. The same thing is beginning, though as yet to a less extent, to be true of Japan and Australia at Tokyo. There is no doubt that business of this kind can often be settled most smoothly and expeditiously by direct negotiation between the foreign Power and the Dominion immediately concerned. It has, indeed, as already mentioned, been decided that Canada is to have her own representative at Washington. Any such scheme must, no doubt, be attended with difficulties. The principle of co-operation presupposes that foreign policy shall be determined upon by the partner nations of our Commonwealth in concert, and is inconsistent with separate and isolated action on the part of any of them. Arrangements have, however, been designed with the object as far as possible of meeting these difficulties and of avoiding the danger of separate representation. The Dominion representative would, it is understood, take up his quarters at the British Embassy, of which indeed he would become an important part. He would not only deal with the foreign Government directly in matters which are the particular concern of his own Dominion, but he would act as British Ambassador on occasions when the Ambassador himself happened to be absent. He would naturally have access to all papers and see everything that went on, while on his side he would keep the British Ambassador informed about any international business that was being directly transacted by himself. Problems of an essentially Imperial character would, as in the past, be dealt with through the British Ambassador.

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As for eyes and ears, the Dominions would receive reports direct from their own representatives in cases in which they decided that it was necessary for them to be directly represented in a foreign capital. In other cases where the duty of representation was still left to Great Britain alone, copies of reports made to Whitehall should, it is suggested, be sent to the Governments of all Dominions, which would thus be kept in close touch with what was happening.

It may be said that such arrangements as are outlined above are only a makeshift; but that is not in itself necessarily a disadvantage, for experience alone can show how far the necessities of the situation are capable of being met even temporarily in such a manner, and we must trust to time to reveal in what respects modification can with advantage be made. Success admittedly depends upon a considerable degree of mutual trust and goodwill.

But even if the scheme should sooner or later have to be replaced by something else, the experiment will not have been in vain, for valuable experience will in the meantime have been gained in the intricacies of foreign affairs by the Dominions, and in the art of practical co-operation by the whole Commonwealth. We should thus be, all of us, in a better position to face the problem in whatever guise the future may present it.



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THE tumult and the shouting on Capitol Hill have subsided. The broken statesman "with snow-white hair, bowed back, distorted features and emaciated frame" has taken his way to his house in the outskirts. Mr. Woodrow Wilson has passed from the political life of his country. The American Shakespeare will have a great theme for his tragic masterpiece. Generations yet unborn will stand aghast at the portents of Paris, will behold the conspirators, Johnson and Borah and Lodge, will learn to quote from that noble funeral oration of General Smuts: "It was not Wilson who failed. . . . It was the human spirit itself. . . . The spirit of goodness and truth in the world is still only an infant crying in the night." And when the curtain has fallen on the last act, a few in the audience will sit up to weep, a few will go to a music-hall or a cabaret, but most will be tired and go to bed. They will want to forget and get "back to normalcy."

### I

ON April 12, 1921, at one o'clock in the afternoon, Mr. Harding, continuing the custom which Mr. Wilson had revived after a century of disuse, appeared in the chamber of the House of Representatives and read to the members of the Senate and House of Representatives there assembled in

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joint session the first message of the new Administration. For half an hour he dwelt upon the domestic problems of the nation while his hearers listened patiently for his solution of those problems of foreign policy which for nearly two and a half years of bitter strife had awaited their settlement. At length their patience was rewarded. "There is no longer excuse for uncertainties affecting some phases of our foreign relationship. In the existing League of Nations, world governing with its super-powers, this Republic will have no part." Floor and galleries, which had hitherto been listless, burst forth into applause. "There can be no misinterpretation," the President continued, "and there will be no betrayal of the deliberate expression of the American people in the recent election ; . . . it is only fair to say to the world in general, and to our associates in war in particular, that the League Covenant can have no sanction by us." Here was the crown of victory for the Irreconcilables. The Paris League had been scrapped. President Harding before Congress had done as candidate Harding had done at Des Moines before the people. He had not sought to clarify the obligations of the League ; he had turned his back on them. The doubts which had arisen over the "plank" in the Republican platform (June 10, 1920), which was accused of "straddling the League issue," were resolved. The task of those diligent thousands who had sought to read the future in the flickering light of the campaign pronouncements was ended. Some of the tenderest and devoutest hopes ever cherished in the human breast died in that moment of applause. But this did not darken the hour of victory for the applauders. Senators like Lodge, Johnson, Borah, Knox, Moses, McCormick and Brandegee, who had entirely dominated the Senate Committee on Foreign Relations, standing unwaveringly "by the principles and policies of Washington and Monroe and against—utterly against—those of Mr. Wilson," must have felt the President's words as marking the consummation of a personal triumph.



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However, there was short time for rejoicing. The President went on, with scarcely a pause :—

We yearned for an association of the nations as a “ new instrument of justice.”

Manifestly the highest purpose of the League of Nations was defeated in linking it with the treaty of peace and making it the enforcing agency of the victors of the war. International association for permanent peace must be conceived solely as an instrumentality of justice, unassociated with the passions of yesterday, and not so constituted as to attempt the dual functions of a political instrument of the conquerors and of an agency of peace. There can be no prosperity for the fundamental purposes sought to be achieved by any such association so long as it is an organ of any particular treaty, or committed to the attainment of the special aims of any nation or group of nations. . . . We wish (the new association of nations) to be conceived in peace and dedicated to peace, and will relinquish no effort to bring the nations of the world into such fellowship, not in the surrender of national sovereignty but rejoicing in a nobler exercise of it in the advancement of human activities amid the compensations of peaceful achievement.

Calling attention to the fact that Europe was technically at peace and actually at war while America was actually at peace and technically at war, he proceeded to say that he should approve a declaratory resolution by Congress to establish the state of technical peace without further delay “ with the qualifications essential to protect all our rights.”

Such action would be the simplest keeping of faith with ourselves, and could in no sense be construed as a desertion of those with whom we shared our sacrifices in war, for these powers are already at peace.

Such a resolution . . . must add no difficulty in effecting, with just reparations, the restoration for which all Europe yearns and upon which the world's recovery must be founded. Neither former enemy nor ally can mistake America's position, because our attitude as to responsibility for the war and the necessity for just reparations already has had formal and very earnest expression.

It would be unwise to undertake to make such a statement of future policy with respect to European affairs in such a declaration of a state of peace.

Thus far all was plain and according to the counsels of the Irreconcilables. Then, however, followed a passage

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which surprised and mystified many of the President's hearers :—

With the super-governing League definitely rejected, and with the world so informed, and with the status of peace proclaimed at home, we may proceed to negotiate the covenanted relationships so essential to the recognition of all the rights everywhere of our own nation and play our full part in joining the peoples of the world in the pursuits of peace once more. Our obligations in effecting European tranquillity, because of war's involvements, are not less impelling than our part in the war itself. This restoration must be wrought before the human procession can go onward again. We can be helpful because we are moved by no hatreds and harbour no fears. Helpfulness does not mean entanglement, and participation in economic adjustments does not mean sponsorship for treaty commitments which do not concern us, and in which we will have no part.

*It would be idle to declare for separate treaties of peace with the Central Powers on the assumption that these alone would be adequate*, because the situation is so involved that our peace engagements cannot ignore the Old World relationship and the settlements already effected, nor is it desirable to do so in preserving our own rights and contracting our future relationships.

*The wiser course would seem to be the acceptance of the confirmation of our rights and interests as already provided and to engage under the existing treaty*, assuming, of course, that this can be satisfactorily accomplished by such explicit reservations and modifications as will secure our absolute freedom from inadvisable commitments and safeguard all our essential interests.

Neither Congress nor the people needs my assurance that a request to negotiate needed treaties of peace would be as superfluous and unnecessary as it is technically ineffective, and I know in my own heart there is none who would wish to embarrass the Executive in the performance of his duty, when we are all so eager to turn disappointment and delay into gratifying accomplishment.

On these great questions he should seek the advice of the Senate.

Baldly put, then, the President's message counselled four things : (1) Scrap the Paris League ; (2) terminate the war by a joint resolution of Congress ; (3) accept the treaty purged from the pollutions of the League ; (4) create a new association of nations.



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In the first course the President had accepted the counsels of such men as Senators Borah and Johnson. In the second he virtually declared for the resolution of Senator Knox. In the third he voiced the ideas of Mr. Hughes and Mr. Hoover as expressed in their pre-election utterances. In the last he held forth the same promise of a new and better League which he had made in his campaign speeches, an idea attributable to no one in particular but fondled and caressed by many a Republican "on the stump" and in the press.

How shall we estimate these four doctrines and what will be their practical results?

In the first place, it will apparently be henceforth useless for European statesmen to attempt to beguile the United States by promises of additions and alterations to the structure at Geneva. All the efforts of Europeans, from Viscount Grey to M. Viviani, seem now to have gone for naught. No doubt to thousands of thinking men in England and on the Continent, as well as in America, this can appear as nothing short of a calamity. Yet let us not be too harsh in our judgment of those Senators who compassed the rejection. They gained nothing for themselves. For a while even they fought not merely against the Administration but against the press and what seemed the majority of the country. If their victory operates to postpone the day when peace shall prevail among the nations and concord and harmony shall be the rule and not the cherished exception in international relationships, set it down not to the baser influences which thwart the highest purposes of man but to the frailty of human vision, which is an attribute of the wisest statesman. Those few miles of turbulent currents between the South Foreland and Gris Nez have produced in England a law and polity different from those of the Continent of Europe. A dozen Channel tunnels will scarcely give England the Continental outlook on world affairs. How much less can we expect it in America, separated from Europe by a thousand leagues of

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ocean? The space-obliterating devices of modern transport and communication have brought the New World and the Old into new physical contacts, but spiritually they are apart and the day of their union is not yet.

In referring to a termination of the war by a joint resolution of Congress, President Harding evidently had in mind the Knox resolution which had been introduced in the previous session of Congress and which was again presented with some modifications on April 13, 1921, the day following the President's message. This resolution, as originally presented, simply provided for the termination of the state of war, and added a general declaration of foreign policy without preserving any American rights under the armistice agreement of November 11, 1918, or the Treaty of Versailles. All these rights, however, the President evidently means to preserve. Therefore the Knox resolution was subjected to certain modifications.

In its platform the Republican party pledged itself to the prompt restoration of a state of peace with Germany, whereupon, as Mr. Harding promised in the campaign, "our boys" should come home from Germany, where, as he said, "they hadn't any business." It is now doubtful, however, whether the American troops will be withdrawn from the Rhine immediately on the passage of a joint resolution by Congress. To one who knows American opinion or studies the utterances of American leaders there can be no thought of America's deserting her allies or wishing to encourage the recalcitrance of Germany. But if the American troops are withdrawn immediately after the passage of a joint resolution, regardless of the operations of the French and British troops in the Rhine basin, it would seem that misunderstandings would be inevitable. When the last doughboy had gone from Coblenz many a German peasant and many a French poilu, ignorant of Presidential messages and Senatorial debates, would interpret the departure as an act of forgiveness to the one and of betrayal to the other. President Harding will be well advised if he



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deals with the American troops on the Rhine quite apart from the termination of the technical state of war. The Allies must be made to understand our continued loyalty, and Germany must somehow have brought home to her our unshaken faith in her responsibility for the war and our resolute conviction that in so far as possible she shall repair the damage she has done. If she goes on indefinitely baulking at the fulfilment of the terms of the treaty it is difficult to see how America can regard her delinquencies as simply *res inter alios acta*. If Germany does not pay the amount of reparations demanded by the Allies, then some of Germany's creditors will almost certainly be unable to pay their debts to the United States, and we shall reach a financial result that Americans are not now ready to accept.

It is apparent from the third of the President's propositions that the measure of America's rights and obligations in Europe is to be in so far as practicable, but with certain exceptions—*i.e.*, the League Covenant—the Treaty of Versailles. The sharpest criticism of Mr. Harding's message came at this point. Senator Reed (Democrat of Missouri) said bluntly, "What the President said about the League suits me. I do not know what he means by the rest of it." It may be suspected that some of the President's warmest adherents entertained some secret sympathy for the Democratic Senator's inability to comprehend.

What are to be our engagements under the existing treaty and how would Mr. Harding have them interpreted? No doubt he would have us parties to the liberation of the new States of Eastern Europe. Clearly he would have us a party to Article 119, whereby Germany renounces in favour of the principal Allied and Associated Powers all her rights and titles over her overseas possessions. But will there, for example, be an American representative sitting with full powers on the Reparations Commission, and will American representatives act with those of the Allies in considering the extent to which Germany has fulfilled and can fulfil her financial obligations under the treaty? If so,

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then certainly the Allies will receive from America a large measure of the co-operation which they most desire. But thus far we can only speculate. If the whole Treaty is to be strained through the Senatorial sieve once more, it is not an encouraging prospect for either continent.

Lastly, the message suggests the query, what is to be the character of this new Association of Nations which Mr. Harding offers as an alternative to the present League? Will it be, as Mr. Harding once suggested in the campaign, an Association like the Hague Court, "with more teeth in it," or will it be an Association resembling the present League only with Article X stricken out, and, substituted for it, a negative covenant against aggression as suggested by Mr. Lansing in his recent book? \* And will it be anything which Europe can accept, or will there be more years of bickering and contrariness about this article and that? These, again, are questions which time alone can answer.

It may safely be prophesied that American immixture in European affairs will be sparing and reluctant.

There are many considerations which will inevitably and for a long time to come act as very strong deterrents to America's participation in World politics. Some of these deterrents were admirably set forth in the letter of an American in the *ROUND TABLE* for March 1919 replying to an article in the number of December 1918, wherein it was stated that America's future position in the world, not that of the conquered empires of Central Europe, was the great issue of the Paris Conference, and an eloquent appeal was made to America for the assumption of all the responsibilities which her entry into the war had forced upon her.

The writer of this letter dwelt on the absence of trained administrators in America capable of the work that an Imperial state involves, and on the conservative tendency of the American people to adhere to a traditional policy.

\* *The Peace Negotiations* (a personal narrative). By Robert Lansing. April 1921. Constable.



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In the light of the events of the last two years this letter is well worth re-reading.

Another deterrent to anything like American imperialism has undoubtedly been the country's reaction from the war. America's losses in human life were negligible compared to those of her allies, and in this country there has been no aftermath of pestilence and famine. Rather her first adventure in European affairs has affected America as a strong cigar affects a schoolboy. It sickens him; it may or may not prevent him from using tobacco in later life. Just now America is still in the stage of nausea. Two million odd Americans saw Europe in the years 1917-1919, and very few will ever forget what they saw. Bloodshed, racial hatred, animosities that had their roots back behind Genghiz Khan and Julius Cæsar, dynastic pride, secret diplomacy, religious bigotry, and a passion for self-determination which, once aroused, did not stop with races or peoples but raged in towns and hamlets until it almost seemed that there could not be a sizable village without an army, a navy, and goodness knew how many cabinet ministers, all praying for American assistance in the noble task of extirpating their next-door neighbours, the ex-cabinet ministers, and their other next-door neighbours — those-who-might-possibly-aspire-some-day-to-become cabinet ministers. The economic background was hunger and pestilence and Bolshevistic horror. Class hate on race hate, abetted by religious hate, fanned by politicians and "patriots" and every hamlet crying out, "When will America come to set us free?"

It was not a lovely spectacle. It was a very disillusioning spectacle. Small wonder that men came back and cried out, "America to herself. Let Europe stew in the poisonous juices of her own passions. Let us keep America clean and unpolluted for our children. Let us remember Washington and Monroe and reject the League of Nations along with every other insidious attempt to embroil us in the selfishness of European diplomacy."

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Natural conservatism and the lack of a trained personnel fitted for the exacting work of colonial or imperial administration are conditions which might after a considerable period be overcome. They are matters of purely domestic concern. More important for Europe to understand is the American's distrust of Europe, bred in him by a study of her endless succession of racial, religious and dynastic controversies, and fortified by his experience of the war of which Germany was the architect but for which all the nations of Europe undeniably furnished the materials and tools. This quality of American distrust may in the last analysis be a form of self righteousness. But for better or worse, noble or ignoble, the trait exists.

On being invited to participate in European questions the American feels he is being asked to take a hand in a game with players who, if they are not unscrupulous, are at least so much more astute and experienced than he that he is sure to lose. Excessive modesty is not commonly believed in Europe to be the besetting sin of Americans. In commercial matters they do not fear European competition or rivalries. But in statecraft, the American is afraid the wily European and the even more wily Oriental is going to "slip something over on him." The Peace Conference has emphasised this feeling. One of the indictments most commonly brought against Mr. Wilson is that he traded off every one of the fourteen points to secure the accession of the European nations to the Covenant of the League. On all the evidence the indictment appears to be pretty well sustained. In the matter of mandates, America cannot help remarking that the mandates she was urged to assume were in localities where she could not profit and where she must of necessity spend large sums of money. Armenia was eagerly pressed upon us as a suitable field for a display of America's administrative talents. We were not urged to take the mandate of Syria or Mesopotamia. Both of those countries may become sources of profit to their mandatories. Syria has



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the ports of the rich hinterland of Asia Minor, Mesopotamia has oil, Armenia has massacres and starvation.

This distrust has been at the bottom of America's refusal to ratify the Treaty of Versailles and accept her share of the varied burdens of world administration. The elimination of this distrust is the task for the next generation of European statesmen if for the good of mankind they genuinely desire American co-operation. They may sincerely deplore that it is played upon by our baser, and unhappily by others who are accounted our better, politicians, but the distrust itself Europe should recognise, study and endeavour to remove. The obstacles are by no means insuperable. On the contrary time and honesty will win the most sceptical, but cynicism and corruption will only drive America into a deeper and deeper isolation.

### II

TO enumerate the causes of existing or probable misunderstandings between Europe and America would be unhappily a lengthy task. To Englishmen, however, it is worth while examining some of the causes which threaten to impair Anglo-American relations.

Let it be said at the outset that our wildest Anglophobes do not seriously imagine war with England. When, a few weeks ago, the Bulletin boards quoted a "high British official" to the effect that the two countries were "drifting into war," few people were greatly disturbed. No flurries were recorded either on the stock exchange or in recruiting offices. The sober sense of the people asserted itself. They knew that it was newspaper sensationalism out of whole cloth or else a reporter's misquotation, or that the anonymous "high official" was extraordinarily ill informed. So likewise the American admiral who urged us to contemplate the possibilities of war with England offended public taste and was discredited by his hearers.

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The danger, so far as one can see it, is not so much war as mutual suspicions and trivial misunderstandings which will prevent the co-operation between the two countries which the state of the world so urgently requires.

Of course the first difficulty is the ancient stumbling block—Ireland. There are according to the Census of 1910 (1920 figures not yet available)\* 1,352,155 Irish-born in the United States and 3,152,205 descendants in the first generation of one or two parents born in Ireland. The Irish problem was not made in America. But unfortunately it has been and is financed and enormously encouraged on this side of the Atlantic. Mr. de Valera, the "President of the Irish Republic," receives the freedom of cities like New York (January 17, 1920) and New Orleans (April 16, 1920). He reviews a great parade in Boston (September 13, 1920), and speaks all over the Eastern half of the United States for "Irish freedom." Three Colleges honour him with the degree of LL.D. He launches a "drive" (January 17, 1920) to sell ten million dollars' worth of "bonds of the Irish Republic," bonds which, he warns each subscriber to remember, can be redeemed only on the recognition of the Irish Republic as an independent nation and until that time remain non-negotiable and non-interest-bearing. He addresses the State legislature in the State of Maryland (April 1, 1920). Resolutions of sympathy for Irish independence are introduced in Congress and in most of the state legislatures. The United States Senate on June 6, 1919, passes a resolution of sympathy for Ireland by thirty-eight votes to thirty-six. An angry mob tears down the Union Jack as it flies peaceably over the Union League Club in New York. Huge mass meetings are held all over the United States to mourn the death of McSwiney. The Secretary of Labour in Mr. Wilson's Cabinet deliberately refuses to enforce the passport law

\* Since this article was written the figure of the 1920 Census for Irish-born has appeared. It is 1,035,680. The 1920 figure for the descendants of Irish in the first generation is not yet available.



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with respect to O'Callaghan, the present Lord Mayor of Cork, who was fêted instead of deported, the only colour of justification for this leniency being the absurd pretext that the Lord Mayor was a seaman within the meaning of the Statute. A self-constituted Committee of 100 "prominent" American men and women examine and report on the Irish question without hearing the British Government's side of the case, and an astonishingly large number of people take their report seriously.

Many unhyphenated Americans who have no sincere sympathy with Ireland are too pusillanimous or too enamoured of the Irish vote to take a firm stand. Much political capital was made over Britain's "five votes to our one in the League of Nations," and some audiences undoubtedly accepted this as a very strong argument against the League.

Most campaign oratory is born to perish, and it is rash to interfere with its manifest destiny. But some of the Irreconcilable arguments against the League were incidentally attacks upon our late allies. This, for example, from Mr. Borah: "If we stay with our contract," said he in the Senate on November 19, 1919, in discussing America's entry into the League, "we will come in time to declare with our associates that force—force, the creed of the Prussian military oligarchy—is after all the true foundation upon which must rest all stable governments. Korea, despoiled and bleeding at every pore; India, sweltering in ignorance and burdened with inhuman taxes after more than a hundred years of dominant rule; Egypt, trapped and robbed of her birthright; Ireland, with seven hundred years of sacrifice for independence—this is the creed in and under which we are to keep alive our belief in the moral purpose and self-governing capacity of the people." This, it should be remembered, is not rant from the hustings, but the carefully prepared utterance of a strong party leader in one of the most responsible legislative bodies of the world, later printed and (at the expense of the taxpayer

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under the franking system) sent about over the nation so that whoso voted might read. Probably it succeeded in getting votes. It appealed to the Irish-American. It appealed to that sentimentality which is perhaps the weakest spot in American democracy.

There is every reason why English people should be angered at the persistence and apparent strength of this unfriendly propaganda in a friendly country. It cannot be excused; it cannot even be explained in any manner calculated to gratify American pride. If a similar agitation existed in England in favour of Philippine independence, feeling in this country would undoubtedly run high.

Nevertheless Englishmen must not be deceived. The best elements in our political life have repudiated the Irish issue as an utterly alien one. The Republicans refused to put an Irish "plank" in their platform at Chicago. The Democrats did likewise at San Francisco. Neither of the candidates for the Presidency countenanced the use of the Irish question in an American campaign, though it must be admitted that it was used widely by their supporters among Irish-American voters.

In the end, all this pro-Irish fervour will not prevail against the solid bases of Anglo-American friendship. It will react upon itself without any more elaborate British propaganda than the very simple truth that the Parliament at Westminster must settle the question uncoerced and that the law of self-preservation for Great Britain demands that the British Isles must be under one rule. The best sense of America realises this and is sick of Irish "martyrs" and the widows and sisters and cousins of Irish martyrs going up and down the United States talking of English tyranny and Irish rights. With the exception of the Hearst papers, whose influence has declined markedly since the war, the great majority of the country's press is against the introduction of the Irish question into the domestic politics of America.

When Mr. de Valera received the freedom of New York



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his escort of motors was led by Lt.-Col. A. E. Alexander, who was second in command of the 165th Regiment, 42nd Division, in France. This gentleman afterwards was prominent among the speakers at the notorious meeting in Madison Square Garden (February 28, 1921) to protest at the "Horror on the Rhine." He was thereupon expelled from the American Legion (the National Association of ex-Service Men). A few days later, at the greatest peacetime patriotic mass meeting ever held in this country, "the Rhine horror" meeting was denounced by a crowd of fifty thousand people, as it had been in the press and by public opinion all over the country. Similar patriotic mass meetings are now being held in other cities. Irish propaganda in this country is tending to become anti-American as well as anti-British. In this guise it is least to be feared.

Nevertheless friends of England in America must always long unspeakably for a firm British policy leading to peace in Ireland, putting an end alike to murders and reprisals in that unhappy country. Americans find it difficult to believe that problems which were solved in Canada and South Africa are insoluble in Ireland, and they await eagerly and anxiously this new proof of the power and justice of British statecraft.

On another point governmental policy and, probably to a less extent, popular feeling in Great Britain and America differ sharply. This is the question of Russia. Mr. Wilson's last Secretary of State, Mr. Bainbridge Colby, in one of the ablest and most applauded State papers of the Wilson Administration (August 10, 1920), pointed out that the Soviet Government was based on the "negation of every principle of honour and good faith and every usage or convention underlying the whole structure of international law, the negation, in short, of every principle upon which it is possible to base harmonious or trustful relations," and that the Government of the United States was "unable to see how the recognition of such a Govern-

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ment could promote, much less accomplish, the object of a peaceful solution of existing difficulties " in Russia.

Rightly or wrongly, this remains the policy of the United States under the Republican Administration. Mr. Hughes's note to the Soviet Government dated March 26, 1921, makes it clear that the Republican Administration will not for the present approve any policy of trade with Russia. " If fundamental changes are contemplated, involving due regard for the protection of persons and property and the establishment of conditions essential to the maintenance of commerce, this Government will be glad to have convincing evidence of the consummation of such changes, and until this evidence is supplied this Government is unable to perceive that there is any proper basis for considering trade relations."

Mr. Lloyd George's Trade Treaty with the Soviets came as a shock. To many it seemed a sacrifice of moral principle to commercial convenience justifying ancient reproaches. " A nation of shopkeepers" was doing " business as usual." Americans have long since seen the folly of intervention in Russia, but the Administration and the majority of the American people are revolted at the Soviet's programme of Communism made universal by civil war, and are unwilling to see the policy receive the encouragement of even half recognition. The fact generally conceded that the actual amount of commerce to be carried on with Russia is insignificant makes the agreement the less pardonable in their eyes. Mr. Lloyd George tells us the extravagant Communism of a year ago is passing away. If America were ready to believe this Mr. Hughes's note would not have been written and another point of divergence would have been removed.

The Japanese question is undeniably a delicate one for Americans. As a Government and a people we have every desire for peace and concord with our friends of the Island Empire. Those irresponsible voices which are forever chattering of war do great injury to both nations by



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suggesting the contrary. There is nothing to be gained and everything to be lost by such suggestions. At the same time it would be idle to deny the strong racial feeling that exists on the North American continent and in the islands of the Pacific now under white rule. Sentiment in all of these regions is unalterably opposed to Japanese immigration. A tide of immigration into these countries from Japan would create endless difficulties for them without affording Japan any adequate solution to her problem of surplus population. There is probably not the slightest divergence of feeling on this point between the average Australian and the average Californian. Nor have we any reason to anticipate that time will either alter or allay the aversion of either country toward Asiatic immigration. The unprecedentedly heavy naval programme of Japan, coupled with her large purchases of other war materials, cannot fail to sow suspicion and arouse new fears, which will express themselves in the form of super-Dreadnoughts.

Any Anglo-Japanese alliance which could be interpreted even by the most alarmist constructionist as an alliance against the United States would be bitterly resented here, and would almost inevitably lead to a ruinous competition in naval and aerial armament. Britain's gains from such an alliance could certainly not balance her losses.

Another consideration which disturbs the tranquillity of the Pacific and vexes America's relations with her former allies is the proper disposition of the Island of Yap, formerly a territory of the Imperial German Government. Yap is situated in about ten degrees North Latitude, some eight hundred miles east of the Philippines. It is not mentioned in the most recent edition of the *Encyclopædia Britannica*. On a fairly large scaled map of Oceanica it is about as big as the head of a pin. It seems, nevertheless, that whoever named the island must have christened it with a guilty and provocative intent. On the shores of Yap converge the cables to Shanghai, Honolulu and Celebes

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(Dutch East Indies). Control of the island involves, for the present at any rate, strategic and to a great extent commercial control of the Pacific. It matters little whether the island is held by one of the Powers in fee simple or as a mandatory under the League of Nations. Under either circumstance it gives to such a Power an advantage to which, on principles of international equity, no single Power should become entitled simply by virtue of the liquidation of the German estate. The American position, firmly asserted by President Wilson as long ago as April 21, April 30, and May 1, 1919, and never since relaxed, is that the island should be internationalised and put as far as possible beyond the selfish ambition of any Power.

This is similar to the American contention with regard to Mesopotamia and other territories now governed by the great Powers as fiduciaries under mandates. The argument is put with great cogency by Mr. Hughes in his identic note of April 5, 1921, to Britain, France, Italy and Japan—a document which strongly recalls the style of the ex-Justice's judgments in the United States Supreme Court. The right to allocate German colonies is a result of the victory of the Allies over Germany, Mr. Hughes reasons. The United States participated in that victory; *ergo*, the United States has a right to be heard on all questions of allocation. The United States cannot, of course, recognise the authority of any treaty agreement or understanding to which she is not a party.

It seems difficult to deny the justice of the American contention, and it is undoubtedly approved by the bulk of Americans—probably as heartily as they disapprove the disposition made by the Treaty of Versailles of Shantung. America's attitude on these questions is dictated by a sense of justice and not by mere selfishness. There will, no doubt, be a feeling in some quarters, however, that the United States is quick to assert her rights as one of the victors in the world war and slow to assume her liabilities. No such feeling is as yet justified. The United States,



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though it has not yet ratified the Treaty of Versailles, has not repudiated it or rejected any rights acquired thereunder. On the contrary, since Mr. Harding's message, the probability seems to be that she will ultimately become a party to many of its provisions. Nevertheless it is perhaps worth while to observe, as do Senator Borah and others, that the position taken by Mr. Hughes regarding Yap is more tenable than that of Mr. Colby regarding Mesopotamia, in that America is willing to assume her share of the administrative burden of the former, while she has not assented, and probably never will assent, to the assumption of any burden with regard to the latter.

Two domestic questions in the United States must be considered in the light of their probable influence on foreign affairs ; the first is the naval programme, the second is the Panama tolls.

Voices of idealists on both sides of the Atlantic have expressed their horror at the American programme of naval construction, which calls for twelve battleships and six battle cruisers in addition to auxiliary construction. There is no defending this programme except by admitting that the idealism which inspired us before Versailles has failed, and that the great nations dare not disarm. For this America must bear her fair share, but only her fair share, of the blame. The new Administration is pledged by its platform and the public utterances of its leaders to do something toward the reduction of world armaments. It is obvious, however, that nothing can be done without the concord and co-operation of the other Powers. It is devoutly to be hoped that their attitude will make it possible for the new Administration to give realisation to the justifiable hopes which these pledges may have aroused. In a world whose needs are peace and financial retrenchment it seems scarcely too much to say that some measure of disarmament seems indispensable to the preservation of civilised life on the planet.

The new Administration is pledged to the repeal of the

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legislation which provides that American coastwise shipping shall pay Panama Canal tolls on the same basis as foreign ships. Many Americans, of whom the writer is one, regard this as unfortunate. While they do not concede that the Hay-Pauncefote Treaty deprived America of the right to exempt its own ships engaged in coastwise trade, they nevertheless feel that the exercise of such a right creates ill-feeling abroad to such an extent that it is inexpedient. It will be remembered that one of Congress's first acts in Mr. Wilson's first Administration was the repeal of the Act of Exemption passed in the last days of Mr. Taft's Administration. This had a salutary effect on the feeling in England toward America. The passage of the Act contemplated is almost certain to have the reverse.

So much for the points of minor friction which vex Anglo-American relations and stand in the way of our co-operation for the right ordering of the world and the salvation of our civilisation, which still stands in peril scarcely less dire than in the darkest days of 1917. There is not one of these obstacles that may not be overcome at a breath if ever the time comes when, out of the wilderness of suffering and passion that is Europe, there shall sound a challenge to the American conscience as clear and unmistakable as that which came in April, 1917.

In the meantime are we callous to it all? Are we forgetful of all but self and our own national interests and profits? What have we to say to such heart-rending appeals as Mr. Lowes Dickinson's in the February number of the *Atlantic Monthly*? Will we insist on the last penny of our debt from our former allies while our former enemies are left to starve and Eastern Europe welters in chaos and confusion to which no statesman can see the end?

We know the answers we should like to give to these questions. But have we the right to give them? At least only in part. In a measure we are callous. To a certain degree we are still in that phase of reaction from our unwonted task in Europe which makes us desire to forget



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the war and all its consequences. American public opinion is not yet ready to accept Mr. Maynard Keynes's proposal for waiving the debt from the Allies. No responsible American leader has yet proposed it. He would be a courageous man who did so to-day. As for our late enemies, there is general recognition of the folly of trying to squeeze from them an indemnity that will cost a war to collect, but what sum is reasonable or what method of payment is equitable, we do not know. There is no formed public opinion. We do not approve a policy based on revenge. If for example Germany and German-Austria wish to unite, American public opinion would not object except under possible pressure from France and probably not even then. But we certainly do not wish to encourage Germany in any attempt to escape obligation under the Treaty which it lies well within her power to fulfil. It is the practically universal feeling in America that Germany caused the war, and should, to the extent of her ability, pay the bill. This feeling is based on reason and strengthened by the warm affection and sincere sympathy which America feels for France.

For the relief of starvation and destitution in Europe, the prevention of epidemics, and the treatment of disease, America fortunately has private agencies. This is not the place to tell the story of their work. It is certainly the brightest page in the chapter of America's present attitude toward Europe. The American Relief Administration and the American Red Cross should be sufficient to refute the charge that the people of America are cynically indifferent to all that is happening in Europe. That America may perform even nobler tasks for Europe and for humanity is the desire of her sons. It is perhaps the indispensable requisite of Europe's survival and our own. Americans ask that Europe be not too censorious or too impatient if America does not see precisely as Europe may see it for her, the vision of America's duty to mankind.

United States of America. April 18, 1921.

# PROBLEMS OF EUROPE

## I. REPARATIONS AND RESTORATION

### *The Economic and the Moral Standpoints*

EUROPE after the Armistice presented to an indifferent and, in the main, uncomprehending world the spectacle of an economic system which had reverted to chaos. Here and there over the Continent war still smouldered ; millions of men were under arms, instead of in the productive occupations of their normal life. Large areas were derelict, untilled and often untillable, dotted over with the ruins of factories and of mines. Even where fertile land had not turned to desert, cultivation was hampered for lack of labour and of implements, and the want of new plant or raw materials often kept the manufacturer idle. Everywhere the old frontiers were being re-drawn ; in the name of nationalism territories forming an economic unit were arbitrarily divided by a kind of judgment of Solomon, and customs barriers set up with as little thought as a child might give to the wall which he builds round his house of bricks. Communications, whether by rail or river or canal, were disorganised and irregular, and the time likely to be taken by goods in transit between any two points was a matter of guesswork. Import and export permits, and the whole system of Government regulation of trade which they connote, were for long almost universal, and even now have not entirely disappeared. Any one of these conditions is a formidable obstacle to the revival of



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international trade, and they are powerfully reinforced by the suspicion—indeed, hostility—between nations which was engendered by the war, and poisoned even the ordinary relations of commerce. If this picture of the Europe of two years ago exaggerates some of the characteristics of Europe to-day, it is because the nations have taken the first steps along the road towards peace, political stability and racial tolerance, and have freed the channels of trade from much of the wreckage of war-time prohibitions which encumbered them. But the advance has been slow, and is far from complete: how precarious is our hold on economic necessities, how half-hearted the work of European reconstruction, is revealed in the handling by the Governments of Europe of the problem of reparations.

It would be difficult to overstate the consequences of the breakdown of the European economic system. They are being felt to-day in every corner of the globe. There is a fatal connection, direct or indirect, between the standard of living of the Westphalian miner or the return got by the Polish peasant from his land or the product of the Roumanian oilfields, and the demand for American cotton, for the wool of Australasia, for Indian jute or South African maize and diamonds. It has been customary to lament the dependence of Europe—above all, of Great Britain—on food and raw materials brought from the ends of the earth; it was, perhaps, little realised that the dependence was mutual and that the day might come when the food and raw materials could not be sold because Europe could not pay for them. There is no part of the world to-day which is not suffering through the impoverishment of Europe; and those countries with vast natural resources still only fractionally developed—the Dominions, India, the South American Republics—have an interest hardly less than that of Europe itself in working for our economic revival. And for the revival not of this part or that only, but of the whole. For the same reasoning which points to the universal consequences of a European collapse holds

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good of Russia or Germany or Austria or any other part of Europe ; the results differ only in degree. If the population of Germany could be annihilated and her territory left desolate, the world would be literally and immensely the poorer. The wealth which Germany or any other country is capable of producing is distributed over the globe ; and such is the interdependence of the populations of the world under the present economic structure of society, that in the long run the prosperity of any one nation must tend to increase the prosperity of all nations in the aggregate. We are dealing here with no mere economic theory. Behind the cold terminology of economic systems lie the realities of human existence. For the vast industrial populations of Europe—and for none, perhaps, is this so true as for the people of Great Britain—a revival of international trade is the only alternative to slow starvation. We live by our exports ; and after the exhaustion of war, after four years spent in the destruction of wealth, nothing but peace and the most intense application everywhere to the productive tasks of peace can keep us alive.

Whatever may be the currency to-day of the truths on which emphasis has here been laid, it is clear that they have not been the dominant influence shaping the policy of the Governments of Europe since the Armistice. Many factors have contributed to that policy ; none are of greater interest than the claims made by the nations victorious in the war on those that were vanquished, and above all on Germany. The reparation provisions of the Treaty of Versailles rest on the moral responsibility of Germany, as the aggressor with her allies in the war, to make reparation up to the limit of her diminished resources for the loss and damage caused by the war to the Allied Governments and their nationals. Insistence on these provisions has not been regarded merely as insistence on the satisfaction of a pecuniary claim, but as an act of justice on which a new world order could be built up. It was intended by this example to bring it home not only to Germany, but to



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all the world, that it is an offence to make war on the world, and an offence which a guilty nation can be called on to expiate painfully and through every one of its citizens. How, above all, it was argued, could justice be vindicated if France, the victim, were left broken by the war, while Germany, the aggressor, got off scathless? The argument in one form or another runs through every discussion of the settlement with Germany, and it is obvious that it appealed, and probably still appeals, powerfully to a large body of opinion in all Allied countries. It has been stated here in the extreme form in which it is perhaps most often heard and can be least easily defended. For, reparations apart, Germany has not got off scathless, unless the loss of her good name, of important provinces on each frontier, of a large part of her mineral supplies, of her colonies and merchant shipping are to be left out of account. Nor is it possible to ignore the restoration to France of Alsace and Lorraine, transformed out of recognition since 1871 in material wealth and prosperity, or the temporary, and perhaps permanent, transfer of the Sarre Valley. But the argument, though weakened, is not destroyed by these admissions. The position of France is unique in that the war was fought out on her soil. It was on her industries, on her towns and villages that the destructive horrors of modern warfare fell. The restoration of her vast devastated area is an immense burden imposed on a country almost submerged by four years of war; and it is a burden which as regards her own territory Germany escaped. It seems unjust and unreasonable that while France is overwhelmed by a task beyond her strength Germany should be free to renew her economic life and to apply all the resources of her population and of her industrial technique to the one object of restoring her own material prosperity.

This statement of the case for reparations reduces the matter to its simplest form: it ignores the claims of the Allies of France and those claims, in respect of pensions and separation allowances, of which THE ROUND TABLE,

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before the Treaty was signed, questioned the validity under the terms of the Armistice. But it is obvious that the theory of reparations, however it is stated, belongs to an order of ideas radically different from those suggested in the earlier part of this article. It regards Europe not as an economic whole, in which the prosperity of any one part is intimately related to the prosperity of the rest, but as a territory divided, as it was divided during the war, into two camps, those of the victor and the vanquished, the creditor and the debtor. Can these two conceptions of Europe be reconciled? Are there any means by which the Allies can obtain payment from Germany of an amount not disproportionate to their needs, without suffering indirect losses which would neutralise the benefit accruing to them? If such payments, showing an appreciable net gain, are feasible, what conditions do they presuppose? How far can an unwilling Germany be compelled to make reparation: is there a limit to the virtues of force? These are the practical problems of reparation and the one transcendent problem of Europe at the present time. Before we examine them further it is necessary to turn aside and to glance at the reparation policy of the Supreme Council as it has developed since Versailles and more particularly since the Paris Conference described in the last number of *THE ROUND TABLE*.

### *The First London Conference*

At Paris in January the Allies agreed to demand from Germany annual payments for 42 years to a total amount of £11,300,000,000 sterling, and in addition the proceeds during the same period of a 12 per cent. tax on all German exports. The annuities were to be payable as follows: two of £100,000,000 each, three of £150,000,000, three of £200,000,000, three of £250,000,000, and thirty-one of £300,000,000. In the event of payment in advance the



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rate of discount allowed would be 8 per cent. on the first two annuities, 6 per cent. on the next two, and 5 per cent. on the remainder. The present capitalised value of the annual payments is about £4,000,000,000, and that of the export tax, if the annual value of German exports is assumed to be the same during the next 42 years as before the war, would be a further £1,000,000,000. The German Government was invited to send representatives to a conference in London in order to discuss these proposals or to make some equivalent offer.

Dr. Simons, the German Foreign Minister, came to London early in March and appeared before the Supreme Council. He declined to accept the Paris decisions; the annuities extended over far too long a period, and they could only be paid if there was an expansion of German trade such as could hardly be attained at all, and if it were attained would be dangerous to the rest of the world. He proposed as an alternative that the £11,300,000,000 should be discounted at 8 per cent. and so reduced to £2,500,000,000 and then again to £1,500,000,000 by the deduction of the £1,000,000,000 which Germany claimed to have paid already. In order to provide cash immediately, Germany was to issue an international loan for £400,000,000 to be free of income tax in all Allied countries, and would pay the interest and sinking fund on this loan and on the balance of £1,100,000,000. During the first five years Germany's capacity for payment would be limited, and in 1926 the manner of liquidating the balance of the debt would have to be determined. Moreover, the scheme was contingent on Upper Silesia remaining German and on the removal of all impediments to trade; it would involve the acceptance of payments in labour and in kind—for example, German assistance in the actual reconstruction of the devastated areas—and it discounted the prospective revival of German prosperity at which the 12 per cent. export tax had been aimed.

The German offer was at once dismissed as unworthy of

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consideration and was more formally rejected two days later, when Mr. Lloyd George, as President of the Conference, expounded the whole case for reparations, which was based on German responsibility for and conduct of the war, and announced that unless within four days the German delegates accepted the Paris proposals or made an equivalent offer the Allies would proceed to enforce the claim. They would occupy Duisburg, Ruhrort and Düsseldorf on the right bank of the Rhine, would seize the customs duties collected on the external frontiers of occupied Germany and set up a line of customs houses between occupied and unoccupied Germany, and would divert for reparations part of the purchase-money of German goods imported by the Allies. This meeting was followed by four days spent by Dr. Simons and his colleagues in telegraphing to Berlin and in attempts, unfortunately abortive, to come to terms by private discussion with the Allies. When the conference reassembled, fresh German proposals were put before it. Briefly, they were an offer, subject again to the retention of Upper Silesia and the abolition of all restrictions on German commerce with the world, to pay the Paris annuities for the first five years and in addition a full equivalent for the 12 per cent. export tax ; and to draw up as soon as possible a comprehensive plan of reparation for the period of thirty years from 1926. If the Allies insisted on an immediate fixed total offer, Dr. Simons asked for a delay of a week to enable him to return to Berlin and consult his Government. He declared, in answer to Mr. Lloyd George's indictment, that neither the Treaty nor the sanctions but history alone could decide who was responsible for the war ; he protested against the sanctions with which Germany was threatened as a breach of the Treaty, and he foreshadowed an appeal to the League of Nations. This second offer was rejected on the same day, and before the German delegation left London Allied troops were on the march and the application of the sanctions had begun.



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This early and unexpected collapse of the Conference was a heavy blow to all those who have any regard for the peace of Europe or the world's economic needs. It seemed to them an admission of the bankruptcy of European statesmanship. None of the powers represented at the Conference could disclaim some share of responsibility for its failure. The German contribution to the result was palpable. It is no reflection on the personal honesty of Dr. Simons or on the sincerity of his desire for a settlement to say that the two proposals which it was his lot to put forward gave, when taken together, the impression of being fundamentally dishonest. The first offer rested on the assumption that £1,500,000,000 was the maximum present value of what Germany could pay; but instead of frankly declaring that assumption and advancing arguments to justify it, the German Government elected to deduce their maximum, by the clumsy device of an exorbitant rate of discount, from the Paris figure. No disguise could obscure the disparity between the two schemes. The second German offer, on the other hand, had much to recommend it; but, as those who leaned towards accepting it soon found, it could not be defended without denying the sincerity of the first, and if the first was insincere, what reason was there for believing in the second? This was the dilemma with which Dr. Simons armed M. Briand, and it was a weapon powerful enough in itself to break up the Conference. It scarcely needed the support of the defiant German attitude on the origins of the war—an outburst which it would be charitable to dismiss as the foolish, if intelligible, retort of one angry politician to another. If the Germans were *maladroit*, the French were inflexible. M. Briand came to London with a mandate: he was dependent on the precarious suffrage of a Parliament and a press which at once distrust and fear Germany, have no faith in personal discussions, and often seem frankly to disbelieve in every weapon except armed force. He was able to resist all suggestions of compromise with the

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argument that to accept them would lead to the fall of his Government and the triumph of the extremists in France. Mr. Lloyd George appeared, then, to be left with the choice between agreement or a breach with France; and his own political commitments reinforced an honourable reluctance to break with an ally. But it is, perhaps, pardonable to doubt whether the moral authority of British opinion and the value of British friendship to France had at that time sunk so low as to make either the methods or the decisions of the Conference inevitable. Mr. Lloyd George's sweeping indictment of Germany at the second meeting was not unadorned by the arts of the special pleader; it did less than justice either to the political difficulties of the German Government or to the more recent efforts of the Germans to tax themselves. Nor is it easy to defend British acquiescence in the uncompromising rejection of Dr. Simons' final request for a week's delay, or indeed in the general attitude of haste which brought forward an ultimatum at the second meeting, turning the Allies' first word into their last and a conference into an execution.

### *The Sanctions and their Working*

The first London Conference marks a decisive stage in the story of reparations, because it left the Allies committed to a line of policy—that represented by the sanctions—on which it would be difficult for them in future to go back: how difficult was perhaps at the time little realised. The sanctions deserve consideration from two points of view: from the moral standpoint of their validity under the Treaty and from that of their practical value. We make no apology for putting the moral aspect of the sanctions first. It was over a Treaty that the Empire went to war seven years ago, and from the beginning nothing contributed more to range the civilised world against Germany than the careless phrase about a scrap



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of paper. A Treaty is not less binding on the signatories to it because it contains 440 separate Articles ; and the Allies, whose victory was above all a moral victory, have everything to lose in the eyes of the world and the judgment of history if they overstep their rights under the instrument which they dictated.

The reparation provisions of the Treaty of Versailles required a certain total payment by Germany on or before May 1, 1921, and payments for thirty years from that date on a scale to be fixed before May 1 by the Reparation Commission. The protocol to the Treaty encouraged Germany to submit proposals at an earlier date "in order to expedite the work connected with reparation, and thus to shorten the investigation and to accelerate the decisions." In the event of default by Germany, the Treaty prescribes the procedure to be followed, and indicates in general terms the measures which the Allies are entitled to take and Germany agrees not to regard as acts of war ; there is no explicit reference to any further occupation of German territory, and an article in another part of the Treaty is hardly consistent with an extension of the area of occupation as a penalty for default on reparation payments. On an impartial examination of these provisions of the Treaty it would be difficult to maintain that Germany could in any circumstances be said to be in default on reparation payments before May 1, 1921, and at least doubtful whether even after that date the occupation of any further part of Germany could be justified under the Treaty. Many would be found to question this view ; but the strongest argument in its favour is the official defence of the sanctions. It would be more accurate to speak of the three lines of the Allied defence. The first was that the sanctions, which first appeared as an ultimatum to compel the acceptance of a particular reparation proposal, were enforced not on account of reparations at all, but of Germany's failure to carry out the clauses of the Treaty relating to disarmament and the trial of war criminals.

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The Attorney-General in the House of Commons threw that defence to the winds. He admitted that no specific provisions of the Treaty covered the measures taken by the Allies ; but none the less he held that they were taken under the Treaty. For " the Allies were entitled to say that there was not only not a performance of the Treaty, but a manifest exhibition of an intention to ignore, to fail, to flout and defy." Here, surely, is a plea which leads into perilous waters. The Treaty itself provides a remedy for failure and defiance, and when that failure becomes real and not merely probable (for which " the manifest exhibition of an intention " is only an eloquent periphrasis) the remedy can be applied. Last of all there is M. Briand's defence—" We have a door wide open on to the common law," the law of debtor and creditor, " which holds of nations as of individuals." Here the Treaty is frankly discarded, and objection founded or purporting to be founded on its provisions is brushed aside on the faith of a conception behind and overriding it. Once admit that such an argument is legitimate and the reign of law must yield to caprice or passion.

If we turn to the practical value of the sanctions, everything depends on the extent of our expectations. In their anxiety to justify these measures the Government made extravagant claims for them. If they were criticised as penalties, they were defended as methods of extracting payments, and every argument pointing to their futility for that purpose was countered by the assertion of their efficacy as penalties. It is already clear that the joint effect of the sanctions has been to discourage trade, if not to put an end to it, and as the trade most seriously affected is German trade, these measures might in the long run compel Germany to choose between strangulation and submission ; but it is probable that before that point was reached they would have had a most dangerous reaction on the trade position of the Allies, and particularly of Great Britain. Obviously Allied control of the Rhine



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coal ports, together with the establishment of an artificial customs frontier through the middle of the principal industrial area of Germany, must in the end throw German industry out of gear. It should be equally obvious that as customs revenue depends on the volume of trade, the value of the customs receipts at the new frontier will fall as the sanctions take effect as penalties. It is impossible to kill German trade and at the same time to batten on it.

The third sanction—the diversion for reparations of part of the purchase-money of German goods imported by the Allies—will repay close examination. It is understood that the British Government can claim the dubious honour of having fathered this proposal. The practical form which has been given to it by legislation in this country is, if we ignore minor transitional exemptions, that the importer of German goods is compelled to pay 50 per cent. of their value to the customs authorities on importation. Goods imported from destinations other than Germany are classed as German goods if less than 25 per cent. of their value is attributable to manufacture or production in countries outside Germany. The importer obtains from the customs authorities a receipt which he is free to send to the German seller, who can then present it to his Government for payment of the amount in paper marks. The effect of the Act must turn on the attitude of the German Government. Up to the present they have ignored it. German manufacturers and merchants have therefore given notice that they will require payment in full before shipment. The Act then simply imposes a 50 per cent. duty on imports from Germany, and if the duty is paid at all it is paid by the British consumer. Whether it will be paid must depend on the nature of the imports. If the German goods cannot be obtained elsewhere either at all or of the same quality, or if their price is so low that a 50 per cent. import tax is not prohibitive (the price of German goods which contain little or no imported raw material stands at present to the British

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selling price of similar goods in the ratio roughly of two to five, so that a 50 per cent. tax will still leave a wide margin) trade will continue so long as the importer is prepared to face the risk of paying in advance and the delays and inconveniences of official regulation. But the returns of customs receipts during April, which show payments at the rate of £52,000 a year, suggest that these conditions are not likely to be present, and that the Act has put an end for the time being to serious business with Germany. If the German Government agreed to co-operate in working it, some difficulties would be removed. But even then the scheme would be open to grave objections. The German Government could hardly pay 50 per cent. of the value of normal German exports to Allied countries without further inflation of their currency, to which the interests of the Allies as well as of Germany herself are opposed. Moreover no real revival of trade could be expected under a system which involves not only a return to certificates of origin, black lists and the whole ponderous machinery of Government interference, but a rearrangement of the delicate mechanism which has been gradually evolved and perfected over generations for financing international trade. "Commerce," the Prime Minister has said, "adapts itself very readily in my experience to this kind of restrictions." Commerce did adapt itself during the war to a great deal which it disliked ; and it did so because it saw that the national interest required that certain forms of trade should be not encouraged but stopped. The need for that has passed ; and it would be difficult to find any responsible man of business in this country who would be prepared to defend the 50 per cent. tax or who has not in his own mind already condemned it as fantastic. Outside England the proposal appears to have even fewer friends : France and Belgium alone among the Allies have passed similar legislation, and they have not enforced it.



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## *The Rising of the Storm*

After the London Conference the drama moved forward swiftly to its crisis. From one false position the actors were carried on to another still falser, until in the end they awoke to the knowledge that the time for a settlement of the reparation problem on its merits was past. Distracted by the coal strike and immersed in the ever-deepening gloom of industrial depression at home, public opinion in Great Britain played a minor and a passive part in the drama in which France and Germany were the protagonists. How far in other conditions it could have exerted a moderating influence in time is difficult to tell.

For some weeks after their delegates had left London the Germans made no move. They did not resist the sanctions, but they did nothing to facilitate them. Dr. Simons assured the Reichstag of his belief in the eventual resumption of negotiations ; he was attacked by the parties of the Right for having exceeded his powers in making his second offer in London, but he commanded the support of a majority and remained in office. This attitude on the part of Germany, and her own increasing financial burdens, drove France rapidly towards *intransigence*. Her financial position became daily more sombre : restoration of the devastated areas called for large sums, which were not to be had unless a settlement could be made with Germany, and the legacy of inadequate taxation during the war began to fall in. Gradually the conviction deepened that nothing but a heroic measure of coercion could bring Germany to her senses. By the beginning of April M. Briand, a man of moderate views, was telling the Chamber of his determination to use force without limit. Germany would find "a firm hand taking her by the collar." The creditor would enforce his common law right to sell up the debtor : not the revenue only, but the whole

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assets of German industry were hypothecated to the needs of France. Apart from an insignificant minority of extreme Socialists, every section in the Chamber and in the press applauded this declaration. Gradually the methods of coercion took shape, and the plan for the occupation of the Ruhr area was elaborated. It was to yield a fabulous return, immediate and prospective: it was also to give to France that full sense of security which the Treaty of Versailles had failed to give. Reparation became almost a secondary issue; and France was being carried by a flood of popular passion back to her secular policy of weakening and then dismembering Germany—a policy, in the economic conditions of our age, as cruel as it would be futile.

Meanwhile May 1 approached, and the Reparation Commission drew to the end of their task of fixing the total reparation claim under the Treaty. They had already notified Germany that a balance of £600,000,000 was still due on the £1,000,000,000 payable before May 1. In London, Dr. Simons had claimed that deliveries to the whole amount due had already been made. It is obvious that in the fixing of a gold value for payments made for the most part in kind there is room for widely divergent results. A merchant fleet has one value to Germany and another when confiscated and sold to Allied shipowners under restrictive conditions and at a time when ships all over the world are being laid up. Whichever estimate is more nearly correct—and no information has been published on which an opinion could be founded—neither the Commission nor Germany would retreat, and the Treaty permits no appeal from the Commission's decision. The figure finally agreed upon by the Commission for the total German debt under the Treaty was £6,600,000,000, in addition to the £250,000,000 of Allied loans to Belgium repayable by Germany.

Before the amount of the claim was known the German Government dropped the pretence of apathy. They asked the President of the United States to arbitrate, and they



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offered to accept any figure he might fix as representing their capacity to pay. Mr. Harding lost no time in declining the invitation, but he agreed to transmit any reasonable proposals to the Allies. The German Government, a Government distinguished by no outstanding personality, dependent on an unnatural coalition of political parties, and goaded out of its better judgment by industrial powers such as Herr Stinnes, was soon tossing, helpless, on a rising sea. It could not decide, once and for all, either to propitiate the Allies or to defy them; and in the end by its vacillations and inconsistencies and apparent disingenuousness it succeeded only in exasperating them. A Bismarck would have chosen one course and kept to it, as he did after Olmütz in 1850. Dr. Simons and his colleagues, after a long and indeterminate discussion, sent another offer to America, an offer obscure and indeed almost unintelligible, and whether inherently or through bad drafting thoroughly unattractive. The scheme was condemned unread in France, and was not even thought worthy of official communication by Mr. Harding.

It was, then, in an atmosphere heavily charged that the Allies met again in London on April 30 to determine what should be their final proposals to Germany. The French had not concealed their intention to demand the immediate occupation of the Ruhr, and if necessary to march alone. Once occupied the Ruhr might never again be evacuated: in M. Poincaré's words, "A return ticket to Essen is not worth a paper mark." Occupation could have only one ending, the dismemberment and the economic ruin of Germany. It was an ending which the French were in the mood to face without qualms. Of its inevitable consequences to the rest of Europe, consequences which might strike others first, but sooner or later would recoil upon themselves, German procrastination and their own predicament had blunted their perception. Thus three years of opportunist indifference on the Allied side to economic and on the other to political realities had led to this, that

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no solution was any longer practicable of a problem which was in its essence economic except one devised primarily to meet the needs of a false political situation. There was a danger that even a solution of that nature would prove unattainable and Europe would be plunged finally into chaos.

### *The Ultimatum*

If Mr. Lloyd George had any doubts what the French occupation of the Ruhr would mean, it may be assumed that they were removed by the representatives of British banking and financial interests who approached him on the eve of the Conference. Here, for the first time, instead of the apathy of criticism in Parliament and the constituencies, was a clear indication of the deepening anxiety with which the business world regarded the policy of the Allies towards Germany. It strengthened the Prime Minister's hand in setting to work to save what could still be saved from the wreck. His first and imperative task was to induce the French Government to abandon their intention to occupy the Ruhr, with or without their Allies, on May 2, and to wait until an ultimatum could be drawn up and a few days' grace allowed to Germany in which to accept it. If this point could be carried, it might be possible to prepare a scheme of reparation payments that would satisfy French opinion, and might at such a crisis reasonably be accepted by Germany. The first step proved to be much the more difficult of the two. It is no secret that the Conference came near to breaking up before the French delegates agreed to give way. Once the Rubicon was crossed—and there is not much doubt which, from the point of view of immediate popularity at home, was the more hazardous course for M. Briand to take—the broad principles of the reparation demand to be embodied in the ultimatum were soon settled. The details occupied several days and much argument, but by May 5 it was possible to



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communicate the final documents to Germany and the world. Germany was required by the ultimatum to declare within six days her resolve to carry out without reserve or condition her obligations as to reparation, disarmament and the trial of war-criminals. The Allies would at once take preliminary measures for the occupation, if necessary, of the Ruhr Valley, and failing a declaration by Germany as required before May 12, the occupation would proceed.

The broad outlines of the reparation plan which was forwarded with the ultimatum will no doubt be widely familiar before these lines appear in print. But the importance of the proposals may justify a brief summary.

As regards the amount of Germany's debt to the Allies, the scheme accepts the figure fixed by the Reparation Commission under the relevant provisions of the Treaty of Versailles. That figure is £6,600,000,000, if we ignore certain plus and minus adjustments still to be made, but hardly likely to affect the total by more than £100,000,000 or £200,000,000. Germany must deliver to the Commission bearer bonds for the total amount of the debt. Of these the Commission will issue in 1921 bonds to the value of £2,500,000,000, and from the date of issue Germany will have to meet an annual charge of 6 per cent., out of which interest at 5 per cent. on the bonds outstanding at any time will be paid, and the balance will go to a sinking fund for the redemption of the bonds by annual drawings at par. If there is no default this part of the debt will on these terms be wiped out in about thirty-seven years. The bonds for the remaining £4,100,000,000 will only be issued by the Commission as and when it is satisfied that Germany is in a position to meet the interest and sinking fund charges in addition to the liabilities already indicated. It follows, therefore, that the ultimate liability of Germany will depend on her proved capacity to pay. The German Government has hitherto rejected all the schemes put before them on the ground that they went beyond Ger-

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many's capacity. That line of defence is now cut away. The only immediate liability is for the charges on £2,500,000,000, and that amount was indicated by the German Government themselves in their latest offer as the full extent of their capacity. If they prove to be right, obviously the balance of the bonds can never be issued. On the other hand, if Germany accepts the scheme, France will have the satisfaction of knowing that there has for the time being been no abatement of the maximum amount which the Allies are under the Treaty entitled to claim.

To meet the charges on the bonds Germany will have to provide certain annual payments. These will be in the first place a fixed sum of £100,000,000; and in addition a sum equivalent to 26 per cent. of the value of her exports in each year, or, if she prefers it, an equivalent amount based on some other approved index of her prosperity. It is the yield from this variable factor which will indicate to the Commission when, if at all, they will be justified in issuing further bonds. The method proposed for transferring to the Allies the payments based on exports appears, though some of the details are still obscure, to be this: the German exporter will pay to a reparations account under Allied control a bill of exchange drawn on his foreign purchaser for 26 per cent. of the value of the sale; the Allies will be free to discount this bill, and the German exporter will receive from his own Government an equivalent amount in German currency. The scheme will provide a crucial test of German capacity to pay reparations; for clearly the moment that the German Government finds itself unable to provide for these payments from taxation and is driven to resort to further inflation of the currency, reparation ceases to be practicable. The proposed levy on German exports will not, as might have been expected, necessarily lead to the repeal of the legislation, to which reference has already been made, imposing a tax up to 50 per cent. in certain Allied countries on imports from Germany. As long as that remains in force the German



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Government will be expected to facilitate its operation by paying the balance of the sale price in German currency to its exporters ; but the 26 per cent. export levy will not apply to exports to countries which retain the earlier legislation ; and in Great Britain at least the import duty will be reduced from 50 to 26 per cent. Here we have one of those quite illogical compromises which always creep into the details of Allied settlements : there are others in the present scheme which may here be ignored ; but this particular arrangement deserves mention because it is difficult to see what other effect it can have than to restrict trade, owing to the complications which it introduces between Germany and the countries that retain the import duty.

The most urgent of all the tasks of reparation is the reconstruction of the devastated areas ; as long as any part of France remains in ruins, with its industries derelict and its population existing miserably in huts and caves and cellars, the war will live as a bitter and ever-present memory. There can be no doubt that Germany is in a position greatly to expedite the work of reconstruction, and on that ground it is an important advance in the proposals now made that the Allies contemplate the possibility of German assistance through the provision both of material and labour. There have been difficulties hitherto in any such arrangement, but they have been magnified by all those contracting interests in France, which were unwilling to see any part of the work placed in other hands even though it was demonstrably beyond their own power to complete in any reasonable period. Through M. Albert Thomas and the Labour Organisation of the League of the Nations, the Trade Union elements concerned in France and Germany have been brought together and it is understood that they are in substantial agreement on the details of co-operation. The Confédération Générale du Travail has already declared its conviction that without German collaboration the work will never be completed. If, as may reasonably

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be hoped, German help is now accepted by France, the provision which has been made for arbitration as to the value of material and labour supplied is important. It was a defect in the Treaty that arbitration was expressly excluded even on such difficult and contentious points as the value to be set upon the very diverse German surrenders called for before May 1, 1921. A system under which the plaintiff is the final judge in his own cause will always create a sense of injustice in the defendant. Even the notorious Treaty of Brest Litovsk allowed for arbitration, if possible by the Swiss President, on all indemnity questions that might be in dispute.

To supervise the payments by Germany of the annual amounts due, the Allies propose to set up a Committee of Guarantees. This body will have assigned to it, as security for the payment by Germany of the charges on the bonds, the whole German customs revenue, the proceeds of the 25 per cent. export levy, and, if necessary, the proceeds of further direct or indirect taxes. It is, of course, clear that the value of these assigned funds will rise or fall with Germany's prosperity, and they can give no security for anything except this, that if Germany is in a position to pay her reparation debt, payment will not be evaded so long as the Committee has armed force behind it. If there is no revival of German prosperity, no security for reparation payments can be found that is of any value.

This, in brief outline, is the demand now made on Germany. The terms are obviously better, because they are more flexible, than any previously put forward, and it is probable that in the political conditions of to-day no improvement on these terms could have been carried through the Conference. The Prime Minister's statement announcing them to the House of Commons was well received by Lord Robert Cecil, Mr. Asquith and Mr. Clynes. Some of their advantages have already been indicated, but there is another on which Mr. Asquith rightly laid strong emphasis. That is that the proposals



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mark a return to the Treaty to which Germany was a party, even if an unwilling party, and it cannot be claimed that they involve unfavourable modifications in the obligations which Germany undertook at Versailles. The world awaited Germany's reply to the ultimatum with a quiet confidence that no German Government would be prepared to face the certain consequence of rejection—the occupation of the Ruhr. This optimism has been justified by the event. After some days in which the internal political situation was all confusion, Dr. Wirth, a South German Catholic with a leaning towards the radicalism of Social Democracy, succeeded in forming a new coalition Government and in obtaining a majority of 46 in the Reichstag for unconditional acceptance. In the brief and subdued speech in which he commended that course to the Reichstag, Dr. Wirth rightly laid stress on the importance to Germany of an honest endeavour from the beginning to meet the obligations undertaken. The success of any German Government in the near future will be measured by the extent to which it acts on that advice.

### *The Future*

At this moment, when the decisions of the Conference are being approved because they offer the only means of bringing Europe back from the edge of the precipice, it is well not to lose sight of the future. Questions naturally spring to the mind. Is it within the bounds of economic possibility that Germany should liquidate the whole £6,600,000,000 of debt now imposed on her? Is such liquidation in the interests of the world?

No one can foresee what the economic position of Germany—or of Great Britain—will be even in five years' time. It is clear, however, that Germany can transfer wealth to the Allies only by means of exports. The annual charge on the whole amount of the debt, and it is a charge

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which cannot be wiped out for half a century, is about £400,000,000, and of this £300,000,000 will represent the export levy. The payment of this charge, therefore, presupposes exports of the value of about £1,200,000,000 a year. German exports in 1913 amounted to £500,000,000. The Peace Treaty has in many vital ways curtailed the internal resources of Germany in raw materials. It is true that her industrial plant is intact, and in the application of her workmen and the scientific organisation of her industries lie sources of vast potential wealth. But if every allowance is made for this and for the depreciated value of money, only an act of faith can see any early prospect of a transition from the £100,000,000 which Germany exported during the first five months of 1920 to the £1,200,000,000 per annum which the payment of her reparation debt requires.

Moreover, in 1913 German imports exceeded exports by £33,000,000, and the whole balance available for transfer and investment abroad was derived from the profits of German shipping, which has now been confiscated, and the interest on foreign investments, which have for the most part been realised. Only by the simultaneous curtailment of imports and expansion of exports can the reparation charges be paid. It is clear that as long as those charges are outstanding the whole population of Germany will have to accept a standard of living substantially below that of other European countries; and the incentive to the present generation must be weakened by the knowledge that the harder they work the heavier is the load they are piling up for their children. In the long run no Committee of Guarantees but force alone can compel a great nation to make such sacrifices. Is it conceivable that for half a century or more the threat of occupying the Ruhr will be periodically invoked in order to compel a population of over sixty millions, which will every year *ex hypothesi* become more highly industrialised and productive of greater wealth, to continue to pay this tribute? To make



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the threat effective France and her Allies would require to maintain a superiority of armed force such as must prove an intolerable burden to themselves. At the end of all, the stage would have been set for a war of revenge.

Sooner or later France and the world must come to see the absurdity of such an ending. France naturally feels a profound sense of insecurity in the presence on her frontier of a population twice as large as her own and separated from her only by a secular antagonism and the common memory of unprovoked invasion. But can any attempt to remove that insecurity succeed as long as the antagonism remains ? Germany as a military power has been broken by the war, and it rests with the Allies whether German militarism dies or revives as a more monstrous growth than before. On the day on which the ultimatum was signed the world was commemorating the centenary of the death of Napoleon. If any rumour of these events could reach him, the Emperor would surely look past the immediate decisions to the need of a new world spirit. From the depths of his own bitter experience—and he saw in history “the only true philosophy”—he would have known that indemnities are a delusion and coercion a snare. After Jena his troops remained in occupation. “Prussia must pay 150 millions,” he said to his envoy Daru ; “I intend to be firm.” And again, “Ce sont des gens dont on ne peut rien faire, aussi bêtes qu’ils l’aient jamais été.” The words have a familiar ring. By his exactions he drove Prussia to re-mould her economic system in order to produce more wealth at less cost ; and the end of his oppression was the resurgence within a few years of the State he had thought was in the dust to heights of moral vigour and practical power which amazed the world. Is it extravagant to hope that the sequence Jena-Leipzig will at length vanish from the history of France and Germany, and that the world will discover in time a way of escape from the conclusions implicit in the policy of reparations, if that policy is literally carried out ?

# The Internal Condition of Germany

## II. THE INTERNAL CONDITION OF GERMANY

IT is not very easy for a foreign observer, or indeed for any observer in a time of crisis, to speak confidently upon the internal condition and prospects of a country great in natural resources and in the numbers and industry of its inhabitants. Who, for example, would pretend to be able to give a correct estimate of the present condition of the British Isles or to forecast their near future in politics, in industry and commerce, or in the solution of social problems? Observation and opinions clash, and reflection can at best hazard a few provisional conclusions.

In dealing with Germany the task is at once easier and more difficult; easier because many of the political, economic and social factors are clear and sharply defined, more difficult because there are in the problem many elements of contingency, especially in respect of influence and pressure from without. Our British problem is hard enough, but it must be remembered that Germany, if it has not now an Ireland, its Poles having been mostly and its Alsatians and Danes totally eliminated,\* has other internal perplexities from which we, happily, are free.

There is first of all the general effect of a national defeat and humiliation upon a people which was prosperous, ambitious, self-confident and full of hope. Disappointment, bitterness, despondency or despair were the natural reaction which began during the war and has since been intensified by the failure to obtain deliverance or security by the Peace. Yet it must be admitted that the way in which the bulk of the industrial population and their employers have faced their difficulties and have settled down to hard and intelligent toil is worthy of admiration.

\* It is now on the Allies that the responsibility of dealing with the insurgent Upper Silesian "Wasserpöhlen" lies, unless, indeed, they prove to be impotent. See the Prime Minister's speech in the House of Commons on May 13.



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The German, especially the North German, has a long tradition of fighting against odds. All our tales of mean streets and toils obscure had their prototypes long ago in Germany. If anyone desires to understand German grit, industry and patience under discouragement he cannot do better than read the poignant, humorous and realistic short stories of Wilhelm Raabe (1831-1910).

German political life continues to be cramped by the lack of a central Government and of a Parliament really supreme and able to speak for the whole nation and to impose upon all sections of it the national will. There are some fourteen or fifteen State Parliaments and as many ministries, although, happily, there are not more than two States that give serious trouble. The one is Prussia, the other Bavaria. Saxony continues to have parliamentary difficulties and local communist broils, but its Government does not interfere with that of the Reich, or resist its ordinances.

In Prussia the Assembly which passed the new Prussian constitution dissolved itself last January, and the elections for the first republican Prussian Diet took place on February 20th. The result resembled that of the elections for the Reichstag last June in that there was a great increase in the strength of the two parties of the Right—the National Party (the old Conservatives and the People's Party—falsely so-called—the old National Liberals). These two parties have now together some 133 seats as compared with 59 in the late Assembly. They have thus more than doubled their strength, although they do not make any approach to a majority in a house of 428 members. The Parliamentary Coalition, which supported the late Prussian Ministry and supplied the ministers was composed of the Majority (or moderate) Socialists, the Democrats (Liberals) and the Catholic centre, and was some 290 strong. It has lost about 70 seats. The Socialists have been reduced from 142 to 114, and the Democrats from 61 to 26. The Catholic Centre, as usual, has approximately maintained its

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old strength. With some 221 seats and a bare majority, the old coalition could not maintain itself in power, especially as its enemies on the extreme Left, the Independent Socialists and the Communists, the split fragments of the original Independent Socialist Party, have together returned 59 members as compared with 29 Independent Socialists—there were no Communists—in the late National Assembly.

In view of this result there was a long period of delay and intrigue before a new Prussian Ministry could be formed. The Right clamoured for a recognition of the electoral slide towards reaction. The exclusion of the Social Democrats, who had held four portfolios and the presidency in the old Cabinet, was demanded. The so-called People's Party (reactionary National Liberals) were prepared to enter the Ministry, but the Social Democrats refused to co-operate with them as not being honestly republican. The cabinet-makers, *i.e.* the majority party leaders, behind the scenes feared to instal a Ministry that might bear the colour of reaction before the London Conference of March had considered the Reparation proposals of Dr. Simons. Ultimately Herr Stegerwald, a former Catholic workman and trade union leader, was commissioned by a compromise among the party leaders to form a Cabinet. (Stegerwald, it may be noted, is a man of remarkable ability who, under the old régime, was called by the Emperor as a representative of labour to the now defunct Prussian Upper House.) He did not succeed in forming a Ministry on the old coalition lines. He finally selected two Catholics, two Democrats and four non-party Prussian officials. (He himself is not a member of the Diet.) Prussia has thus, in essence, what is termed a Ministry of professionals (*Fachminister*).

The significance of the change is, first of all, that it is doubtful whether the new Ministry, dependent as it will be upon support from the Right against the Social Democrats and the parties farther to the Left, will prosecute the task of gradually replacing the old provincial and



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local officials by sound Republicans, a most urgent matter if the Republic is to take root. The Reich itself has no body of officials and no machinery of administration such as Prussia possesses. And Prussia forms two-thirds of the Reich.

Even under the late Prussian Ministry there was a good deal of friction between the administration of the Reich and that of Prussia. In educational matters, in fiscal administration, in labour questions the two Governments did not always see eye to eye. How will it be now that the Prussian Ministry is constituted on a basis fundamentally different from that of the Reich's Cabinet?

One tie, indeed, there is between them. At the head of both Ministries is a member of the Catholic Party, the Chancellor, Fehrenbach,\* and the Prussian Minister—President Stegerwald—a curious situation at the moment when Germany has been celebrating the four-hundredth anniversary of Luther's appearance before the Diet of Worms (April 17-26, 1521).

The parliamentary movement towards the Right in Prussia was accentuated by the effect of a serious Communist rising in the second half of March in the Prussian Province of Saxony. The insurgents, who were instigated by the Communist adherents of the Third or Moscow International, had the centres of their organisation in the towns of Mansfeld, Eisleben and Halle. They occupied factories, blew up railway bridges and terrorised the small towns and villages, looting and plundering wherever they went. The late Socialist Minister of the Interior, Severing, taught by the unfavourable experience a year ago of the suppression of insurrection in the Ruhr region by the reactionary regular troops or *Reichswehr*, determined not to employ that force in the Province of Saxony, but to

\* At the moment of writing the resignation of the Fehrenbach Ministry in consequence of the failure of its appeal to America is announced. And, at the moment of going to press, Fehrenbach is succeeded by another Catholic, Dr. Wirth.

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trust to the *Schutzpolizei*, the armed (green) police who are under the authority of his department. A battery of artillery was borrowed from the *Reichswehr*, but otherwise the regulars were only employed to invest and isolate the disturbed region. The parties of the Right were anxious to have the *Reichswehr* employed, partly in order to increase the prestige of its officers, who are largely in sympathy with reaction. Severing, against all the predictions of the Right, succeeded in suppressing the insurrection with the *Schutzpolizei*, although not without considerable losses on both sides. Over 3,000 insurgents were taken prisoners and are being tried by specially instituted courts.

The distraction of episodes like this ought to be borne in mind when the central Government of Germany is being expected to devote its attention with calmness and prudence to the vital question of reparations.

There has also been great trouble with Bavaria. The Allied Powers demand the disarmament of the Bavarian *Einwohnerwehr*, a volunteer force the numbers of which are now estimated at some 300,000. The existence of this force is, no doubt, contrary to the Treaty of Versailles, but still more ominous is the wider organisation, the *Orgesch*, which has sprung from it and has spread throughout Germany. (The word "Orgesch" is a contraction of "Organisation Escherich," Escherich being the name of the Commander-in-chief of the Bavarian *Einwohnerwehr* who founded the wider organisation.)

It may be arguable that the Bavarian *Einwohnerwehr*, though it has machine-guns and some artillery, is distinctively a spontaneous organisation for self-defence against the Communist element in Munich which seized power and celebrated orgies of Bolshevism in the Spring of 1919. Its organisation is far less military than that of the Defence force which was invited to volunteer during the present coal strike in this country. The Bavarian peasant-farmers have flocked to its standards to defend their homesteads in



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case the Communists should ever again attempt to raid them. But out of the *Einwohnerwehr* and the *Orgesch* has developed a movement for keeping alive the idea of universal military service throughout Germany, an idea which is deeply implanted in the national mind and which would undoubtedly have taken shape in a national militia like that of Switzerland if the terms of the Peace had permitted it. In any case the vast majority of the Bavarian people and the Bavarian Government with Herr von Kahr at its head will not hear of disarmament any more than Ulstermen were prepared to submit to it in 1914.

For the Reich the disarmament of the *Einwohnerwehr* is a vital question of national policy, as it is one of the Allies' imperative demands. For Bavaria it is question of Bavarian autonomy within the Reich, of Bavarian pride and, as is vehemently urged, of Bavarian internal safety. The Paris Note of January 29 demanded that the Reich's Government in Berlin should pass fresh legislation before March 15 for the disarmament and dissolution of illicit armed bodies and militarist organisations. The Government of the Reich tried to do its best. The Disarmament Bill was introduced without explicit notice from Berlin to the Bavarian Government, as negotiations would only have led to a deadlock. It was modified in the Reichsrat (the new Federal Council) in deference to Bavarian susceptibilities, and it was finally passed in a twelve-hours' sitting of the Reichstag on March 19—four days late by the terms of the Allies' ultimatum.

Bavaria and her Government have since been treating the Disarmament Law with open derision. In deference to Bavarian sentiment its execution was to have been in the hands of the State authorities under the supervision of the Minister of the Interior of the Reich. The Bavarian Premier, Herr von Kahr, has publicly stated that the Reich must take the whole responsibility and that Bavaria can give no assistance. The Vice-Chancellor Heinze was sent from Berlin to Munich to parley on March 24. He saw

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Herr von Kahr and requested to be allowed to confer with the Bavarian Ministry. His request was refused "on constitutional grounds," although Bavarian Ministers have repeatedly been admitted to sittings of the Ministry of the Reich and Ministers of the Reich have attended sittings of the Prussian Cabinet. Vice-Chancellor Heinze returned to Berlin within twenty-four hours, his mission unfulfilled. Nay more, the Government Press of Bavaria poured scorn upon him and represented his failure in the most ignominious light. For any one who knows anything of German and Bavarian conditions it is impossible to regard all this as mere play-acting, as a "put-up job" between Berlin and Munich. The Government of the Reich cannot have Bavarian disarmament except at the same price at which we could have had Ulster disarmament in 1914.\* Even so, success would be doubtful. If France herself were to send 400,000 men into Bavaria (which she certainly, for political as well as for other reasons, will not do) instead of sending them into the Ruhr region, they would spend most of their time in searching the outhouses of farms and the box-beds in the villages and the potato-pits in the fields for hidden rifles and would probably find few.

People in this country who know nothing of the local conditions suggest: "Disarm the Communists too." The Governments of the Reich, of Prussia and of Bavaria desire nothing better. But how? In Berlin and in the Ruhr region many of the Communist workmen gave up their arms for a money payment last year because they wanted to buy food and clothes. In Bavaria there is plenty of food, and so the Communists in the large towns keep their arms concealed. The Government of Prussia would willingly have paid paper millions to get the arms of the Communists in the Province of Saxony. But, as we have seen, the Communists there were able to conceal large quantities of

\* At the last moment there are signs that Herr von Kahr may relent in the face of the Allied ultimatum, but his task, too, will be difficult.



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arms and furtively to manufacture more, and there has just been a formidable insurrection there.

Such are a few of the internal problems of Germany. There is an endless series of others, financial, industrial, social, educational. Few people in England have any real conception of the situation. It is much more convenient to regard Germany as a State and a Government like any other which can "pay up and disarm and have done with it." This conception has hitherto proved a fiction.

## UNITED KINGDOM

### I. CURRENT POLITICS

#### *Mr. Bonar Law's Retirement*

MR. LLOYD GEORGE'S administration, the most abused of modern times and the least affected by abuse, has undergone far-reaching changes of *personnel* since the last number of THE ROUND TABLE made its appearance at the end of February. They may conceivably alter its whole character and its future course, for a Coalition, more than any other form of Ministry, depends upon personal relationships. But so far the most remarkable feature of these permutations and combinations is that they had nothing whatever to do with the critics, who were taken completely by surprise, and that they were carried out with the speed and smoothness of clockwork. The long sequence of official majorities in the House of Commons becomes an insignificant test of the continued strength of the Coalition by comparison with the political events of the fortnight which followed March 17.

On that day, to the amazement of the public, Mr. Bonar Law suddenly resigned. The verdict of a specialist, coming on the top of less emphatic warnings, had convinced him, it is said, within an hour that he must leave the Government at once or risk a complete collapse in health. He lost no time, therefore, in communicating his decision



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to the Prime Minister through a letter which told the whole truth in characteristically simple language.

My dear Prime Minister (it ran), I very much regret to have to inform you that I am no longer able to continue my political work.

The strain of the last few years has pressed very heavily on me, and, as indeed you know, I have for more than three years found it very difficult to do my work.

Now I am quite worn out, and my medical advisers have warned me that my physical condition is such that unless I have an immediate and long rest an early and complete breakdown is inevitable.

In these circumstances I have no choice, and I can assure you it will always be a pleasure to me to think that I have been of some help to you in the great work which after you became Prime Minister you were able to do for the country, and that it is necessity alone which compels me to abandon the hope of being of any assistance in the very difficult task which now confronts you.—Yours very sincerely,  
A. BONAR LAW.

The reading of this letter by Mr. Lloyd George was the first news of what had happened even to the House of Commons, which was as deeply moved as the Prime Minister himself. The terms of it were clearly decisive and final. There was no question of reconsideration, no room for anything but the sympathy and regret which were expressed at once with obvious sincerity by the various party leaders. An hour or two had sufficed for Mr. Bonar Law's decision. In another day or two he was on his way to the South of France, where it is hoped that complete rest in the sunshine will restore his health in the course of months.

The immediate result of Mr. Bonar Law's withdrawal was to leave the Unionist Party, the strongest factor in the Coalition, without a leader in the House of Commons. At all events the gap in the House of Commons was clearly the one that needed filling most urgently. By a series of accidents, beginning with his own unexpected succession to Mr. Balfour in 1911, Mr. Bonar Law himself had gradually emerged from a sort of diarchy with Lord Lansdowne to the undisputed leadership of the whole Unionist Party. The practice, for example, by which

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important pledges of the Unionist attitude in the early years of the war were given by the leaders in both Houses together had disappeared as Lord Lansdowne retired more and more from public life. But it did not follow that the same position, slowly acquired and never positively defined, was open to a successor. There would be other personalities to be considered, and greater risks of disagreement, if the Unionist peers were taken into account. In any case there seems to have been a very prompt consensus of opinion that the Party meeting, convened on the same afternoon, should be limited to the Commons, and an equally prompt consensus of opinion that the choice should fall upon Mr. Austen Chamberlain. Beyond a certain amount of canvassing in the newspapers, which detected signs of a wholly imaginary "crisis," no other name was even seriously considered. He alone remained of the three candidates for the leadership which had fallen, by the withdrawal of two of them, to Mr. Bonar Law in 1911. Mr. Walter Long, like his chief, had just retired for the same reason and with even more finality. No other Unionist—with the possible exception of Sir Robert Horne—had arrived in the circle of possible candidates; and Sir Robert Horne's blessing, with that of Mr. Balfour, Mr. Long, and Sir Edward Carson, was sought and given expressly for Mr. Chamberlain. So it came about that the Carlton Club—the scene just ten years earlier of an election in which the result was doubtful to the last—was thrown open once more to register a foregone conclusion with complete and enthusiastic unanimity. Mr. Chamberlain had declined a contest on the earlier occasion rather than risk the solidarity of his party. He now reaped the reward of his disinterested service in the most solid vote of confidence that any party could bestow upon a new leader.

One other point should be noted here in the succession to Mr. Bonar Law's position. It became known at once that Mr. Chamberlain would leave the Treasury forthwith, and assume the sinecure of Lord Privy Seal, in order to be



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free to devote himself to the work of the House of Commons. In other words he was to be Leader of the House, as Mr. Bonar Law has been, and not merely the spokesman of his wing of the Coalition. There was to be no break in the system, due to the conditions of the last few years, under which the day to day representation of the Government in the Commons was entrusted by the Prime Minister to a deputy without a Department. Nothing in Mr. Lloyd George's methods had been more severely criticised than this apparent neglect of a traditional duty, and he will probably find it wise, as the press of Conferences and Missions becomes less exacting, to return by degrees to more habitual appearance on the Treasury bench. Meanwhile it is an interesting feature of the new partnership that, in this as in other respects, it was intended to perpetuate the Coalition system as devised with Mr. Bonar Law.

### *Reconstruction of the Government*

Mr. Chamberlain's new Leadership of the House, and of the Unionist Party in it, is of course by far the greatest change in the Government since it was constituted at the end of the war. It was followed within the next fortnight by a number of other changes, some of them dependent upon it and some of them only less important. On April 2, with almost as little warning as in the case of Mr. Bonar Law's retirement, the newspapers published a list of no fewer than twenty-one new appointments, ranging from the Chancellorship of the Exchequer, just vacated by Mr. Chamberlain, to the Treasurership of the Household, and containing one name at least which was as unexpected as it was universally approved. Lord Edmund Talbot, for many years Chief Whip of the Unionist Party and the recognised leader since his brother's death of the English Roman Catholics, had become Viceroy of Ireland in succession to Lord French. The long tradition of Protestant Viceroys was broken at the moment when the office itself was about

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to change into the constitutional headship of a Parliamentary system. It was a signal compliment to the predominant Irish creed, round which the bitterest quarrels in Irish history had raged. It was also the choice of a singularly upright and disinterested man, who had succeeded, in an unenviable position, in winning the respect of political friends and foes alike and whose new appointment was now hailed as something of an inspiration. Ireland bulks so large in the present number of *THE ROUND TABLE* that it is unnecessary here to do more than note the beginning of the new *regime*, and the hopeful developments in the situation which have shown themselves since the arrival of Lord Fitzalan (as he will henceforth be called).

By the side of this striking announcement the other changes in the Government passed almost unnoticed. Sir Robert Horne's succession to the Chancellorship of the Exchequer surprised no one who had followed his meteoric career and realised the extent to which the Prime Minister had come to depend upon him. The only other possible candidate was Mr. Churchill; and Mr. Churchill had put himself out of court by his acceptance of the Colonial Office a few weeks earlier and by his complete absorption in the Middle East. He had the misfortune, in fact, to be presiding over a Conference of his own in Cairo during the whole period in which the Government was being reconstructed in London. But Sir Robert Horne was in any case the safer and more popular choice, and the one doubt about its wisdom was whether even the most buoyant Scottish constitution would stand the double strain involved in his change of office at this particular moment. As it turned out he was obliged in the end to leave the introduction of the Budget, which was imminent, to his predecessor, and to content himself with only two of the three great domestic problems—the miners' strike and the Anti-Dumping Bill—which were already fixed on his shoulders. One of Mr. Lloyd George's least admirable practices is his incessant over-



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driving of the favourite horse of the moment. It remains to be seen how long Sir Robert Horne will survive the treatment.

His successor at the Board of Trade was Mr. Stanley Baldwin, who had earned advancement by efficient work as Financial Secretary to the Treasury. Sir Alfred Mond was translated, rather curiously, from the Office of Works to the Ministry of Health, while Dr. Addison, whose precise value in the Government has always been something of a mystery, became Minister without Portfolio and as such may still find some difficulty in justifying his salary to the House of Commons. Meanwhile the Office of Works was manned by Lord Crawford, the Duchy of Lancaster by Lord Peel, the Admiralty by Lord Lee, the Post Office by Mr. Kellaway, the Air Ministry by Captain F. E. Guest. All these were promotions of the most commonplace kind, and the most interesting feature about them was that they involved a clean sweep of the Government Whips' Office, hitherto controlled by Lord Edmund Talbot and Captain Guest, respectively for the two wings of the Coalition. The only fresh blood in the whole welter of change was supplied by Lieut.-Commander Hilton Young, who went to the Treasury as Financial Secretary, and by Major Edward Wood, who succeeded Colonel Amery as Under Secretary for the Colonies. In both cases the infusion was so obviously wholesome that it might well have gone further.

### *The Recent By-Elections*

The ease and apparent spontaneity with which the Government had been reconstructed was reflected in the resultant by-elections. Indeed the by-elections of the last three months have been less exciting than in any quarter since the war. The Labour Party takes its place more and more as the predominant partner in the official Opposition; but a period of dangerous industrial unrest is never

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the best opportunity for Labour at the polls, and the verdict on the whole has been emphatically for the Coalition, with majorities only reduced by the normal wastage from the gigantic figures of the last general election. One Minister, Sir Arthur Griffith-Boscawen, lost his seat to Labour at Dudley, but the Labour victories here and at Kirkcaldy were compensated by the failure of Mr. Ramsay Macdonald to retain Mr. Will Crooks's stronghold at Woolwich. Mr. Baldwin, opposed by Labour at Bewdley, was returned by the handsome majority of 12,857. Mr. Kellaway, whose seat was regarded as doubtful, beat his Labour opponent by 4,666, while at Hastings Lord Eustace Percy succeeded in polling more votes than the Liberal and Labour candidates together and will add to the House of Commons a member who knows something of European and much of American affairs. When every allowance has been made for the revolt of the silent voter against the threat of "direct action," the recent by-elections, taken as a whole, show little sign that the country is vehemently hostile to the Coalition.

A more interesting phenomenon is the renewed discussion inside the Coalition itself of its future development and duration. The initiative here, as in so many other serious matters, comes from the Provincial and not from the London Press, which becomes more and more absorbed in trivialities. Thus *The Yorkshire Post*, the great daily paper of the North of England, has lately been devoting its columns to an exhaustive enquiry among its readers, first whether they approve of the continuance of the Coalition at all, and next whether they would give it a permanent existence and under what name. On the first point the bulk of them are apparently agreed. They cannot yet contemplate, any more than the Prime Minister, the deliberate disruption, merely for the sake of disruption, of the men who have worked together in public life since the crisis of the war. On the second point there is wider diversity of opinion, and infinite pains are being lavished



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on the eternal difficulty of selecting a party name that shall at once be expressive, unappropriated, and popular. Of course the whole discussion is in a sense academic. Parties depend for their existence on something more actual than the mere impression that their existence is desirable. People are not to be herded into political pens even by common consent that we gained more than we lost by a party system of the pre-war type. One of these days we shall inevitably and willingly return to that system; and the dividing line, just as in the past, will lie between those who would quicken and those who would safeguard the changes that must come, between the pioneers of experiment and the champions of tradition. But it is not to be forgotten that the foundations of the new party system are laid already by the appearance of Labour as an official Opposition. Those foundations would be still more obvious if Labour could succeed in providing efficient Parliamentary leaders; and no doubt it is just this present weakness of Labour in constitutional leadership that is prompting so much search for a redivision of parties that would look less like the "class war." In any case the testing question will crop up sooner or later—later rather than sooner so long as a remarkably skilful politician remains at the head of affairs in Downing Street—and then, and not till then, will it be possible to group our politics afresh with sincerity. The one thing always certain is that the particular division which existed before the war had long become artificial and would now be sheer anachronism.

# The Industrial Situation

## II. THE INDUSTRIAL SITUATION

### *A General Survey*

THERE are rivers in Africa which over long stretches are swollen by tropical floods, yet dwindle in their lower reaches until they trickle unnavigable out to sea or are lost amidst the sands of the desert. So it has been since the Armistice with the stream of British trade. War, like the sun, knows no limits to its power of evaporation. Is there in our economic system, as in nature, a compensating force which can restore the flow of trade? It is a question that in one form or another is being asked by an ever-growing body of our population. If any reader of the article on this subject in the last number of THE ROUND TABLE thought that its tone was too sombre, he will admit that nothing has since occurred to support his view. The figures of unemployment and short time are a fair index of the state of trade. At the end of January, 1,060,000 persons were registered with the exchanges as unemployed, and 640,000 were working short time. The numbers rose steadily week by week, and after the beginning of April more rapidly, owing to the dislocation in other trades caused by the coal strike, until at the end of April they reached the unprecedented totals of 1,834,000 and 1,070,000. This implies that the means of subsistence of not less than ten million men, women and children were directly or indirectly, and to a greater or less extent, cut down. These figures take no account of the million and a quarter coal miners who have been idle since the end of March. That this steady process of pauperisation, extending over months and culminating in a protracted strike in the most important of our industries, should have gone so far without any serious disturbance is the best answer to those who pretend that there is a widespread leaning



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amongst the workers towards revolutionary ideas. Labour as a whole has no faith in violence : it can, with greater justice, be charged with an obstinate disregard of hard economic facts. It rejects the methods of the extremists but accepts their economics.

There can be no branch of industry in which the last three months have not been marked by a steady drop in the number of new orders. Where stocks were held they had to be liquidated, and in a falling market all the world waits for prices to sink still lower. So goods accumulated in stock can only be sold at a sacrifice in price which there is a natural reluctance to make : but until the sacrifice is accepted, and those who hold stocks make up their minds to cut their losses, there can be no return to stable prices or to a demand which would justify the resumption of manufacture. This is as true of goods of which the ultimate consumer can hardly reduce his purchases as of those which he has decided temporarily to do without. Textile fabrics are in the second category, soap and electric lamps in the first. It is hardly credible that less soap or fewer lamps are being taken into actual use than in normal times ; but between the manufacturer and the consumer is a bulwark of distributors, each holding stocks and unwilling to replenish them, and the manufacturers' sales are for the time being substantially reduced. Speculation in stocks is an evil not confined to this country, but it is not the only form of speculation. The inability of countries like India and China to pay for goods they have bought, or to carry out programmes drawn up a year or two ago in their own industries, is due to blind faith that their local currencies would maintain their abnormal external value. A new mill in India was planned a year ago, the capital was raised and the plant ordered : everything had been taken into account except the possibility that the rupee would fall from 2s. 6d. to 1s. 4d. before the plant had to be paid for. This kind of error is inherent in the disordered economic conditions which have prevailed since the war,

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and it explains why cancellations and postponements make up the present daily budget of most British firms. The war, from the economic standpoint, was four years of relentless destruction of capital: the world has tried to forget it, and to pretend that a tropical exuberance in the growth of paper was an increase in the world's wealth. It is now clear that the capital which built railways in South America or power-stations in England, which developed gold mines in South Africa or steelworks in Australia, is no longer sufficient to meet all these demands; and that this fact has a direct bearing on the ability of a workman in Yorkshire to buy clothes or a farmer in New Zealand to sell his wool and his meat.

No real revival of trade can be expected until the world sets to work to replace the wealth destroyed by the war. That task presupposes first of all peace and political stability, and then a concordat between employers and Labour. Another article in this issue—that dealing with Reparations—attempts to show the influence of foreign policy on economic conditions. That influence goes far beyond the particular problem there discussed. Export credit schemes have been much before the public, and great hopes have been entertained of their power to give us back our lost European trade. There is the Ter Meulen scheme, which rests on the allocation by the participating States of definite assets as security for bonds. There is the revised scheme of the British Government, which was propounded in March by Sir Robert Horne, but has not yet come into operation. The rock on which all such proposals are in danger of shipwreck is the political instability of the countries to which they are to apply. If Poland or Hungary want nitrates or agricultural implements, arrangements can be made through ordinary commercial channels for them to be supplied, and wheat or sugar to be accepted as security for payment. But if the nitrates are required in January and the wheat or the sugar will not be available before September, neither the banks



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nor an export credit committee are likely, in present political conditions, to discount the crop nine months ahead. The risk that it will never be harvested is uninsurable. Or again, what is the gold value of any fixed assets in Lithuania as long as there is a lively prospect of further freebooting raids like that on Vilna? Another, indeed, has just occurred in Upper Silesia, which has been invaded by Polish insurgents in defiance of the Supreme Council. War, riots, explosions of nationalism, artificial customs barriers, State regulation of trade—all alike make trade impossible.

The political condition of Europe is to some extent beyond our control, but the relations between employers and Labour in Great Britain are not. In the last number of *THE ROUND TABLE* we pointed out that the economic position of industry demanded a reduction in wages; that Labour rightly required proof, in the form of a prior reduction of profits and overhead charges, that it was not alone in being called on to make sacrifices, and in addition protection, by an adequate scheme of insurance, against unemployment in future. How far have these conditions been met; has any substantial reduction in wages in fact been brought about? In industries in which wages were fixed by agreement on a scale varying with the cost of living or the selling price of the product, reductions have been made without friction. The railway men, woollen operatives, and iron and steel workers are amongst those in this class. Where wages do not move on a sliding scale, on the whole little progress has been made towards lower rates. The shipyard Trade Unions have accepted, by a small majority on a ballot, a reduction, in two instalments, of 6s. a week on time rates and 15 per cent. on corresponding piece rates; but there is local and sectional opposition to the enforcement of the new rates. The Engineering Employers' Federation have asked for a similar reduction and in addition for the abandonment of the bonuses of 12½ per cent. on total wages for time-workers and 7½ per cent. for

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piece-workers, which were granted during the war. They have also threatened a national lock-out unless the Unions forgo their claim to a voice in the decision when overtime is to be worked. In support of their demand for a reduction in wages the employers have published a 40-page pamphlet full of "economic facts," carefully selected: the curious may read of the theory of foreign exchange, the influence of silver on the currencies of the Far East, the movement of prices, the incidence of taxation, the orders lost to foreign competition. To this the Unions have issued a counter-blast, just as long, in which the accent is shifted to profits and dividends, bad management and the fallacies of the employers' economics. This Battle of the Books, waged on the public stage, may entertain the observer, but it leaves the parties fencing for position. The Unions express their firm resolve to accept no reductions and there, for the moment, the matter rests. In the cotton trade the employers are proposing a reduction of 6s. in the £, but negotiations have as yet barely begun.

The ultimate reduction in every other industry waits on the decision of the coal strike. Both employers and Labour have regarded the dispute over miners' wages as a test case. Labour recognises that if the miners are beaten, other Unions will find it difficult to resist any reduction that the employers may demand. To industries outside coal mining, particularly the iron and steel and engineering industries, the amount of the reduction which the miners eventually accept is almost more important than the wages of their own workmen. On these grounds, as well as on that of its paralysing effect on the industrial life of the country, the coal strike merits special attention.



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### *The Origins of the Coal Strike*

In the early months of the year the price offered for export coal fell rapidly from 85s. to about 40s. a ton, and to-day coal cannot be sold on the French or Italian market at any higher price than about 24s. During the same period the spread of unemployment in other industries in Great Britain, and especially in the iron and steel industry, led to a much diminished home demand. On the Continent English coal has been ousted owing to the deliveries made by Germany and to imports from America. The average net cost of production per ton of coal in Great Britain during the first three months of the year was between 39s. and 40s. : of this cost 28s. represented wages. The loss per ton was 5s. 8d. in January, 6s. in February and 6s. 10d. in March. If control, with its guaranteed wages and profits, continued, the Government was faced with the need of a contribution from the Exchequer of about £5,000,000 a month. Accordingly, Parliament was asked by legislation to advance the date of decontrol from August 31 to March 31, and the Act was passed early in March. Thus the coal owners and the miners, who had been negotiating since November as to the future basis of wages, were left with three weeks in which to come to an agreement on the wages to be paid in the industry from April 1. They failed to do so, work ceased at the end of March, and as these lines are being written, in mid-May, has not been resumed.

The action of the Government in advancing the date of decontrol and throwing the industry overboard at a few weeks' notice has been denounced by a large part of the Labour movement as the first move in a conspiracy between the Government and employers generally to force Labour to accept sweeping reductions in wages. That the allegation should have been made is evidence at once of the unwisdom of the Government in laying itself open to such a

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charge, and of the suspicion in which, through its previous treatment of the mining industry, it is held. Control carries certain advantages to the State and also certain obligations. One of those is that proper arrangements should be made to cover the transition to normal working, and this obligation is more rather than less imperative when decontrol falls in a period of extraordinary trade depression. In itself control has a pernicious influence over any industry, because it obscures the fundamental condition on which all industry exists, ability to sell its products in an open market. For that reason the State must expect to find the natural instinct of all those engaged in an industry to accommodate themselves to that condition dulled by a long period of control, and since the State imposed control in its own interests, it may reasonably make allowance for this weakness of human nature. It should in any case have been obvious that the reduction of miners' wages was the key, from the point of view of the psychology of Labour, to reductions in all industries, and that a settlement by consent with the miners was the best guarantee of a settlement by consent with other Unions.

But apart from the date of decontrol, the action of the Government left the owners free to fix new rates of wages on a district basis, and this was not unnaturally regarded by the miners as a breach of that condition of the settlement last autumn which promised a National Wages Board. The article in the December number of *THE ROUND TABLE* on the last coal strike pointed out the consequences of that undertaking, if it meant that national rates of wages were to be paid. There could be no more striking example of the dangers of improvised Government settlements of industrial disputes than this ambiguous promise in November of a National Wages Board—a promise which, if interpreted as the miners were entitled to interpret it, cut at the root of the organisation of the mining industry.

It is not easy to defend the wages offer made by the coal owners before the strike. The reductions varied widely



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between districts in accordance with the richness of the seams and the use to which the coal was put. Owing to the multiplicity of grades, a complete statement of the wages offered in different districts would fill a book: moreover there is a wide divergence between the summarised figures prepared by the miners and the owners. But, to take average figures quoted by the owners, the weekly wage was to be reduced in Scotland from 101s. to 78s. ; to be increased in Yorkshire from 101s. to 102s. ; to be reduced in Durham from 92s. to 65s., and in south Wales from 97s. to 57s. In some districts the wages of the lower-paid grades, such as labourers, would have fallen even lower, to a fraction over 1s. an hour: they would compare with 1s. 11d. an hour paid to unskilled unemployed labour on road-making and would be substantially below the wages of town scavengers in the same districts. The publication of these figures did much to damage the owners' case in the eyes of the public, and the impression was deepened by the disclosure of the fact that the owners had included in their calculations a profit to themselves of 17 per cent. on the 1914 wages before arriving at these wages rates. When the state of trade compelled employers in all other industries to work at a loss, there could be no justification for a claim by the coal owners to be relieved of a risk which capital has hitherto always borne—a risk, indeed, on which its title to receive profits, as distinct from interest, in times of prosperity is founded.

This is a broad statement of the issues as they appeared at the beginning of the dispute; but the subsequent negotiations, which it is necessary now to describe, have introduced considerations of an entirely different order.

### *The Interlude of the Triple Alliance*

To recount in detail the negotiations which preceded the stoppage of the mines at midnight on March 31 would be tedious and unprofitable. It is sufficient to say that they followed the normal course—a minimum demand,

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a maximum offer, several national conferences of miners' delegates, several alleged consultations of the rank and file, repeated meetings between the parties (each more "critical" than the one before), amended offers, further discussions, and finally a decision. That decision was taken on March 30, when the Executive of the Miners' Federation of Great Britain telegraphed instructions to the coalfields for a cessation of work by all men employed in or about the mines, including the enginemen and pumpmen on whose labour depended the freedom of the pits from flooding and accumulation of gas. "All notices must take effect, regardless of occupation," were the actual terms of the order. For the first time in the history of national coal strikes, the men responsible for preserving the mines in a condition which would make possible an instant resumption of work were directed by the trade union leaders to leave their posts. Such a step had often been threatened unofficially on the eve of coal strikes. It was actually taken in the case of the Yorkshire strike of 1919. Now it was applied by the decision of the national leaders of the miners to every pit in the country. It was, some of them frankly admitted, a desperate measure. From the point of view of the miners themselves, as they must have realised, it could not but be a disastrous one. But it was more than desperate and disastrous; it was deliberate. Nor were the leaders lacking in argument for it. The owners' notices, by which the miners' contracts of employment at their existing wages were ended, applied (so the miners argued) to the pumpmen as well as to the rest of the colliery workers. Moreover, the miners contended, they were no more under an obligation to protect the owners' property during a stoppage than the owners were under an obligation to feed and clothe the miners' families.

But whatever excuses may be advanced for the withdrawal of the pumpmen, it is hard to resist the suspicion that something more cogent actuated those who ordered it. Possibly the thought in their mind ran something



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like this: "The Government and the owners are not afraid of an ordinary stoppage of the pits, provided that the pits are kept pumped and undamaged. They imagine that after a week or two, when our funds are exhausted and some of us are weakening, they will be able to get a settlement more cheaply than they could now. Let us upset their plans. While they are wearing us down, let their property be flooded." Whether this be so or not, it is tolerably certain that both the Government and the mine-owners were taken aback by the departure of the miners from their usual practice of safeguarding the mines. The Government, no doubt, had schemes prepared for economising coal supplies and coping with any possible extension of the dispute to the railways and other transport services; but there is nothing to show that they were prepared to ensure the continued pumping and ventilation of the pits; indeed the event proved that they were able to do so only by agreement with the miners, and then merely on a partial scale. In so far, therefore, as the miners intended to make their first blow their heaviest, they succeeded; but it recoiled on themselves. They gained by it a reopening of negotiations, but they did not shorten the stoppage or force the owners or the Government appreciably to give ground. On the other hand, they unquestionably alienated much of the public sympathy which had been drawn to them by the severity of the wage reductions originally proposed by the owners, and they jeopardised their own livelihood.

This, however, was only the first of the reverses which the miners suffered. The second, and more far-reaching in its consequences for the rest of the trade union movement, was the virtual desertion of the miners by their partners in the Triple Alliance—the railwaymen and the transport workers. The following is the story of the advance and retirement of the Alliance told in diary form:—

*March 30.*—Instructions were issued for a stoppage of the mines at midnight on March 31.

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*March 31.*—The Executives of the Triple Alliance (Miners' Federation, National Union of Railwaymen, and Transport Workers' Federation) met jointly. The miners stated their case. The railwaymen decided to hold a delegate meeting to consider action, and the transport workers decided to summon the executives of their 35 affiliated unions. Both groups declared that the treatment of the miners was "a prelude to a general attempt to destroy national agreements and reduce wages."

*April 3.*—Mr. C. T. Cramp, Industrial Secretary of the N.U.R., said the Triple Alliance, acting together, could succeed, "and if they can be successful, then they ought to have a shot at being successful." Mr. Ben Smith, secretary of the United Vehicle Workers, spoke of a general strike and urged his members to get ready for "The Day."

*April 6.*—The transport workers decided to give the miners all the assistance in their power. The railwaymen decided to consult their allies on the best way of rendering assistance.

*April 8.*—The railwaymen and transport workers announced that, failing a resumption of negotiations between the miners, mine owners and Government, the "full strike power of the Triple Alliance" would be put into operation at midnight on April 12.

*April 9.*—The railwaymen and transport workers met the Prime Minister, and arrangements were made for a reopening of negotiations on the condition that the miners should be ordered not to interfere with measures for securing the safety of the mines.

*April 11.*—The Triple Alliance announced that, unless an offer were made to the miners which their allies could recommend them to accept, the railway and transport strike would begin at the hour fixed.

*April 12.*—The coal negotiations again broke down, but the railway and transport strike was postponed until further orders.

*April 13.*—The railwaymen and transport workers decided to declare a strike to begin at 10 o'clock on the night of April 15. Other unions, including the locomotive drivers and electrical workers, were reported to be willing to take similar action.

*April 14.*—Mr. Frank Hodges, secretary of the Miners' Federation, told a meeting of Members of Parliament that the Federation was ready to make a temporary settlement on wages without prejudice to the larger claims for a national pool.

*April 15.*—The railwaymen and transport workers, without assigning any reason for their decision, cancelled the strike fixed to begin that evening.

This dramatic reversal of plan on the part of the miners' partners in the Triple Alliance has not yet been fully or



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authoritatively explained. One explanation is suggested in the question ironically asked by a communist paper: "What would have happened to Earl Haig if he had attacked the enemy on 31/3/21 and informed them fifteen days later that the reserves were coming up?" The staff work of the Triple Alliance was defective. As a fighting machine, the Alliance lacked cohesion, co-ordination of parts, and speed of movement. The exercise of the "full strike power of the Triple Alliance" (the phrase used in the announcement of April 8) would create a dislocation and demoralisation in the industrial and social life of the country which could not fail gravely to threaten the stability of the industrial and social system. Certain irresponsible men who profess to desire a violent revolution in Great Britain openly hailed the threat of an Alliance strike on the ground that such a strike would precipitate a national upheaval. They were bitterly disappointed by the cancellation of the strike. Even the *Daily Herald*, which is moderate by comparison with some Labour papers, was moved to say on April 16 that "Yesterday was the heaviest defeat that has befallen the Labour movement within the memory of man." There is ample proof in the torrent of abuse poured by the more disreputable papers on the leaders of the railwaymen and transport workers that, so far as they at least were concerned, the Triple Alliance strike was expected to be the signal for a general strike and an attempt to overthrow "capitalism." From that point of view the *débâcle* is easy to understand. You cannot have a violent revolution on the instalment system. The Triple Alliance waited too long. They gave the Government time to fortify their position by the mobilisation of national forces and by various emergency precautions, and so robbed the strike of that immediate paralysing effect by which alone it could have succeeded. In short, for so revolutionary a step, it was too belated, and therefore doomed to fail.

So far, it has been assumed, first, that the leaders were

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sincere in their intention to lead a strike at the appointed hour, and, secondly, that their men were prepared to follow them. These are points on which there is no direct or conclusive evidence. It may, however, be permissible to draw a tentative inference from the known circumstances of the cancellation of the strike. The strike was cancelled after Mr. Hodges had made, apparently in the name of the miners' executive, a statement which was promptly interpreted by the Government as a new peace offer. That statement, as reported, did not embody any new proposal; it did embody a proposal which had been submitted to the miners nearly a month before and decisively rejected by them, the proposal, namely, that the contentious questions of a national pool and a national board should be deferred until a temporary settlement had been reached on a question of wage rates. The Prime Minister at once offered to reopen negotiations on this basis. The Miners' Executive refused the offer. The railwaymen and transport workers pressed them to accept it. They persisted in their refusal. Thereupon the railway and transport strike was cancelled. Incidentally, Mr. Hodges tendered his resignation, and withdrew it at the unanimous request of the executive. Perhaps he blundered when he made the suggestion which his committee repudiated. But the railwaymen and transport workers knew that it had been repudiated before they cancelled their strike. Does there not appear to have been, on their part, a certain eagerness to seize the first pretext for avoiding the plunge? And if that eagerness was there, may it not have been due in part to reluctance to translate into action a threat which was never meant to be more than a threat, only realistic enough to impress the public and reassure the miners? Further, may not that reluctance have been attributable in part to uncertainty about the completeness of the response which would be made to the strike call? These are questions to which no definite answer can be given. But it is possible to recall, as throwing some light on them, the statement



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made by Mr. Robert Williams, secretary of the Transport Workers, on April 16, that the strike was called off because "no reasonable hope remained of securing a spontaneous and united action of the three bodies," and because "a partial and hopelessly incomplete stoppage would have weakened the power of the three organisations without contributing any material assistance to the miners."

Reference is made above to attacks on the Triple Alliance leaders by extremists in various trades and districts. Mr. Hodges did not escape denunciation as a "traitor," and there were calls from small groups of miners for his dismissal. These outbursts are not surprising when it is remembered that Labour had been told in big headlines that the whole movement "stands as one" and that the "stage is set" for the general strike. So said the *Daily Herald* on April 15. Its lamentation on the following day has already been quoted. The *New Statesman* also took a very serious view of the defection of the miners' allies. On April 23 it asserted that the "Triple Alliance has committed suicide." But it went on, as did other mourners, to look for a brighter day. "It is quite possible," said this paper, "that a less unwieldy and more effective instrument for co-ordination of trade union activities will be created in its place." And the *Daily Herald*: "What we need is a new machinery and a new spirit. . . . Sectionalism is the weakness of the movement. It must be given up." The diagnosis is not new. For years the Left Wing of trade unionism, represented by the "rank and file" movement, has tried to break down the barriers between craft and craft, and to promote "solidarity," beginning by workshops and spreading by districts until the whole country is "consolidated." Vested interests, trade jealousies, even personal rivalries, stand in the way of any assault on sectionalism. Yet in recent years great progress has been made in the amalgamation of overlapping or kindred trade unions, and the process is steadily accelerating. To what extent the experience of the Triple Alliance will affect its

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future organisation remains to be seen. That the Alliance will disappear unless and until some more comprehensive and more closely knit organism has been evolved is hard to believe. It is far more probable that, as soon as the coal dispute is out of the way, the leaders of the Alliance will set to work to make of it a more compact and more mobile body, for they are not men to ignore the moral of their failures or to nurse the pique and soreness of a humiliating moment.

### *Subsequent Negotiations*

Since the menace of a strike of the Triple Alliance was withdrawn, the coal dispute has dragged on to the exasperation of public opinion. After some delay negotiations between the Government, the owners and the miners were reopened. The miners have stood out for a National Wages Board and a National Pool. What they mean by a National Pool is still obscure. Its opponents describe it as a pool of profits, and then condemn it on the ground that pooling of profits means a premium on inefficient management. Mr. Hodges claims that 80 per cent. of the pool would come out of wages, since the owners and the miners have already agreed to divide surplus profits in the proportion of 1 to 5. But where is the pool to come from when, as at present, there are no surplus profits? Surplus profits are provided by the consumer, and if he is willing the pool can be found; but at present he is not, and it is in present conditions that the whole trouble lies. Mr. Lloyd George claims, again, that a pool implies legislation and control, and the Government will have no more of that. Mr. Hodges retorts that neither is necessary and that the owners could pool at any time by a voluntary arrangement. They could, if they would; but no one knows better than Mr. Hodges that the owners of different districts are not now, and never have been, on the terms with one another which a voluntary pool implies. He knows, too, that the miners, or a party



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amongst them, persist in their demand for a National Pool, not because they think it will improve their wages in the present but because they wish to preserve the last link with nationalisation. Mr. Hodges has long since written off nationalisation, unless it can be obtained by ordinary political action. But some of his less discerning fellows, more sceptical of the possibilities of politics, see in a return to a pure district wage system the death-blow to nationalisation in their time. As to the National Wages Board, Mr. Lloyd George has conceded it, but it is to fix not national rates but district rates by national negotiation.

Interwoven with these sterile debates has been discussion of wages, which goes to the root of the matter. The miners would accept an all-round reduction of 2s. a shift. As prices are to-day that would require a subsidy from the Exchequer of £36,000,000 per annum. The Government have offered to pay £10,000,000 during the next four months, as a final contribution, if the miners will accept a reduction beginning at 3s. a shift in May and rising by 6d. a shift a month. That offer the miners have rejected ; and they return defiantly to the claim for a national pool, and speak of a strike that will last for months. Now the justification for an Exchequer contribution is primarily the relief which the taxpayer has had through contributions from the mining industry under control. It is claimed that the mines paid to the State, under their special arrangements, a higher percentage of their excess profits than those paid by other industries in the form of Excess Profits Duty. The calculations on which a comparison of coal mining with, say, the steel industry can be based are extremely intricate ; but it is understood that the maximum amount over the four years of control which the mines can legitimately claim to have paid in excess of what would have been their obligation under the Excess Profits Duty Act is about £18,000,000. It is impossible, therefore, to justify a subsidy in excess of that amount. The Prime Minister has refused to go beyond £10,000,000, and in view of the slight

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encouragement which he has had to offer something more but within the limit of what can be justified, this is not surprising. The truth is that the miners have in all their more recent negotiations succeeded in giving the impression that they are incapable of squarely facing the economic position of the industry. No levies or pools or subsidies can offer a means of taking more out of the industry than there is in it. The cost of British coal, by comparison with all other coal, is prohibitive, and as long as this is true the industry will languish. Seventy per cent. of the cost represents wages, and the one need of the present is to bring down the wages cost, and, as far as that is possible, all other costs per ton. A reduction of wages rates is one method of reducing wages costs per ton. But it is not the best method, and what the industry most needs is greater output per man. In 1913 the output per man was 260 tons with an eight-hour shift; in 1920 it was 190 tons with a seven-hour shift. No doubt improved management could also be an important factor both in increasing output and in reducing costs other than wages costs; but it is not enough. The low intensity of human labour in the mines of Great Britain has for some years been notorious, and the miner's standard of living in future will depend primarily, whatever the end of this strike may be, on what he can do to increase his output.

Here in mid-May no settlement is in sight. No industrial dispute of recent years has presented greater difficulties or offered less prospect of successful mediation than the coal strike at this stage. There is no lack of persons with ambitions to mediate, and schemes of settlement hang on every bough: they tempt none of the parties. There are some who hold that the strike will go on, and should be allowed to go on, until the miners are starved into submission. They would argue that every great strike since 1911 has been settled by a compromise, and that Labour needs to-day a demonstration, in an impressive and memorable form, that the strike weapon is a failure. If the miners are



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beaten now, no other Union can hope to win, and the country may be spared serious strikes for some years. It is a line of argument with which we confess we are out of sympathy, and it is stated here only because of the powerful support it can count on. The answer to it, and it seems to us a conclusive answer, is that no body of men starved into submission ever went back to work willingly or with a keen desire to re-establish the industry they were in. On the contrary, they go back sullen and discontented, to bide their time and contrive their revenge. The industrial future of Great Britain turns on the degree of co-operation which can be brought about between employers and Labour; and in securing co-operation reason is a more powerful weapon than hunger.

London. May, 1921.

# INDIA

## THE DELHI PARLIAMENT

### I. THE OPENING CEREMONY

POMP and glittering ceremony adorned every stage of the Duke of Connaught's now famous journey through India, but no occasion held such significance for the troubled present or the unknown future as the inauguration of the Indian Legislature on February 9 in Delhi. This inauguration came as the culmination of the successive openings of the new Provincial Councils; and, though in some respects the vital test of the new constitution will actually be applied with greater severity in the provincial capitals than in Delhi, the central legislature eclipses in significance any other organ of government throughout the Indian Empire. To those who cannot look forward this may seem an exaggeration. It is, in fact, nothing but a sober statement of one of the chief political realities in India. The Delhi Parliament is the linch-pin of the whole engine of the new reforms. Upon its achievement will largely rest the development of government in India.

The setting of the opening scene could hardly have been more fitting. In the brilliant morning sunshine of Northern India in winter the Council of State and the Legislative Assembly, representing interests and ambitions little short of continental, assembled in the simple dignified Chamber which is the Assembly's temporary home in the Imperial Secretariat, to receive the royal message with which the opening of the new era was to be proclaimed. No one



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can say what the precise expectation of the majority then was or, indeed, whether it was precise at all. Neither chamber had any corporate existence or common thought. It was clear, however, from a hasty census of individual opinions that most of those present had brought mixed feelings with them. It might seem almost presumptuous for a European to attempt to disentangle each sentiment from the mixture, especially as the minds of those whom he consulted were themselves in a state of confusion. At the same time, from the point of view of future developments, it is not unimportant to realise, even in a general sense, the political state of mind of the moderate parties at the opening of the new era. Hope, undoubtedly, was uppermost ; but doubts, fears, and sombre recollections from the near past, forbade any man in either chamber to be sanguine.

It was thus an interested, friendly, but also perplexed and critical audience that confronted the Duke of Connaught on February 9. There was no shadow of hostility to him personally. Throughout his journeys in India he received the warmest of welcomes from all those who were ready to welcome him at all, and the Indian Legislature was not to be outdone in hospitality by any body that had gone before. It was rather in his capacity as the messenger of His Majesty's Government, influenced no doubt by the judgment of the Government of India, that he and his message were regarded with that perplexed and somewhat critical interest spoken of above. Whatever fears there were soon vanished.

On the arrival of the Duke of Connaught, followed a few moments later by the Viceroy, an imposing procession was formed under the shamiana in front of the Imperial Secretariat. Led by the Presidents of the two Chambers—the Hon. Mr. A. P. Muddiman, C.S.I., C.I.E., President of the Council of State ; and the Hon. Mr. A. F. Whyte, President of the Legislative Assembly—a double column of brilliantly robed personages marched slowly between

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serried ranks of interested spectators into the Assembly Chamber. The Viceroy and the Duke of Connaught were seated on two simple but massive thrones on the President's dais. Before them in the open space in the centre of the chamber were seated the two Presidents. Every seat in the amphitheatre itself was filled. The whole house was a rainbow study in colour. On the Viceroy's right the uniforms of the Government of India gave a splash of gold and blue to the picture. A little further on a group of white pugarees from the Punjab brought in another note of colour; and throughout the rest of the chamber were gorgeous turbans and ceremonial dress of such varied hue and style as to baffle individual description; while dotted here and there, almost unseen in the blaze of colour, were the somewhat drab morning-coats of the European non-official members.

The opening speeches dealt adequately with the constitutional position created by the Government of India Act. Neither of them contained any striking declaration of policy; nor were such words looked for on that occasion. In well-chosen paragraphs, and in the tones of an unusually pleasant and powerful voice, the Viceroy recited the chapter of Indian history which had brought her peoples to that historic moment. The only really resonant note which he struck was his emphatic declaration that the new constitution stood apart and above all previous instruments of Indian government, because it was inspired by a genuine conception of self-government. In it and by it the principle of autocracy was for the first time deliberately and explicitly abandoned.

The Duke of Connaught took up the same thread. Following it into its practical and personal consequences, he laid stress on the fact that the new constitution presents to India a problem as well as a privilege. Without striking the didactic note, he reminded the Legislature of those prolonged efforts in education and political apprenticeship which are the price of success in popular government. For



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the rest, the speech followed the path marked out for great public personages on such occasions, and had it ended there it would have left an impression of propriety and dignity, as well as a pleasant literary flavour, but nothing more. The impression would soon have faded. But the Duke kept the living word of his speech to the end. Pausing at the close of his well-marshalled political argument, His Royal Highness seemed to throw off the garment of royalty and suddenly to speak as a noble veteran, as man to man :—

Since I landed I have felt around me bitterness and estrangement between those who have been and should be friends. The shadow of Amritsar has lengthened over the fair face of India. I know how deep is the concern felt by His Majesty the King-Emperor at the terrible chapter of events in the Punjab. No one can deplore those events more intensely than I do myself.

I have reached a time of life when I most desire to heal wounds and to re-unite those who have been disunited. In what must be, I fear, my last visit to the India I love so well, here in the new Capital, inaugurating a new constitution, I am moved to make you a personal appeal, put in the simple words that come from my heart, not to be coldly and critically interpreted.

My experience tells me that misunderstandings usually mean mistakes on either side. As an old friend of India, I appeal to you all—British and Indians—to bury along with the dead past the mistakes and misunderstandings of the past, to forgive where you have to forgive, and to join hands and to work together to realise the hopes that arise from to-day.

Rarely in any public assembly has an appeal so moving been made. It was spoken from the heart ; and it went to the heart of every man present. In it the Duke of Connaught struck a deep note that continued to sound throughout the entire proceedings of the ensuing session of the Indian Legislature. It was the sincere appeal of a man distressed ; and the depth of its sincerity gave it not only poignancy, but also a political effect beyond anything that could have been expected. In his simple closing words, the Duke of Connaught set an example to Government and Indian politician alike. Looking back on the

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past session of the Delhi Parliament, we are encouraged to say that the example has been heeded.

### II. THE DEBATES

**W**ITHIN five days of the utterance of the Duke's words both Chambers of the Legislature were submitted to the test. In the Council of State, Srinivasa Sastri moved a resolution asking for the appointment of a committee to reopen the question of repressive legislation. Mr. Sastri's speech was like himself, dignified, generous, persuasive; and the debate which followed was the first notable sign of the remarkable change in the Indian political atmosphere that has come about in recent months. With something little short of unanimity, the Council of State demanded the repeal of repressive legislation in general and the Rowlatt Act in particular. Here and there, of course, stalwart believers in the strong hand, led by Sir Umar Hayat Khan and Sir Bahram Khan, reminded the Council that the element of force in Government is indispensable; but the Government itself, through the mouth of Sir William Vincent, announced that they were prepared to reopen the whole subject, with the result that, after a debate lasting less than three hours, the resolution was carried unanimously. The Government of India had thus taken the first public step to show that they were prepared in the fullest sense to share their responsibilities with their elected colleagues.

A much severer test was applied in the Legislative Assembly on February 15, when Jamnadas Dwarkadas, a young politician of most promising ability from Bombay, moved a resolution on the administration of martial law in the Punjab in 1919. The resolution asked the Government :—

(1) To declare its adhesion to the principle of equal partnership for Indian and European in the British Empire; (2) to express



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regret that martial law in the Punjab violated this fundamental Imperial principle; (3) to administer deterrent punishment to officers guilty of an improper exercise of their powers, including the withdrawal of their pensions; (4) to assure itself that adequate compensation is awarded to those who lost their relatives at the Jallianwala Bagh and elsewhere.

Jamnadas Dwarkadas moved his resolution in a speech of remarkable breadth and power. At the very outset he turned to those who had professed disappointment because the Duke of Connaught's speech had conferred no new boon on India, and said: "My answer is that India is now put on the path of responsible government, and ought no longer to be prepared to have boons conferred upon it, as it lies in the power of its representatives to demand by right that which they think the Government ought to give." In the strict reading of the constitution these words may seem to go beyond the facts; but they set forth with perfect truth the vital implication underlying the Government of India Act. They merely repeat the explicit announcement of the Viceroy, that the principle of autocracy has been abandoned, and, in the mouth of so able a politician as Jamnadas Dwarkadas, they must be taken as an expression of the political conviction of all responsible and self-reliant Indians. The political conception underlying Jamnadas Dwarkadas's speech was that if there is to be co-operation it must be inspired by mutual respect, which could only be based upon mutual acknowledgment of the rights and the power of both parties:—

If this resolution be met, as I venture to believe it will be, in the sincere desire for co-operation in which I offer it, then the past can be thrown behind us, and we can go forward together and fulfil His Royal Highness's desire "to forgive where we have to forgive, and to join hands and to work together to realise the hopes that arise from to-day."

The debate ran for four hours, following the line marked out for it by the mover of the resolution, who, in his turn, openly acknowledged that his mood had been inspired by

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the Duke of Connaught. Speech after speech expressed the sharply-wounded feelings of the Indians under the harrow of martial law ; some acknowledged the necessity of drastic action ; only a very few laid emphasis on the causes which had driven the Punjab Government to act. It was a refreshing moment when one of the older Sikhs bluntly told the Assembly that if debates such as these were to be interpreted as a demand that martial law should never be applied in a country like India, the only alternative was anarchy and bloodshed. But the characteristic note struck by members from the Punjab was the demand for the release of the martial law prisoners—a demand which Sir William Vincent met in a summary fashion by reciting the history of typical individual cases of delinquents still serving sentence. Many, of course, have been released. Sir William Vincent's speech in this respect had an immediate effect, especially as it was backed by the hitherto unanswered challenge, "I will take up any case now which he can produce where he can show that the man was unjustly convicted, or which is a reasonable case for the exercise of clemency."

On the main question of policy raised by the resolution the debate revealed a substantial agreement between the Government of India and its critics—an agreement which evidently surprised many in the Legislative Assembly and multitudes outside its walls. By accepting the substance of the resolution the sting was taken out of the word "Amritsar." If this was the most remarkable feature of a debate worthy of its subject, another feature, little behind it in significance, was the force of the demand of numerous voices among the elected members that Jamnadas Dwarakadas should expunge the third clause from his resolution which called for deterrent punishment of official offenders. This demand was in part spontaneous, and in part prompted by the excellent short speech made by the Commander-in-Chief and by the specific instances given by Sir William Vincent and Sir Godfrey Fell. In one case of an official,



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now no longer in India, the Home Member said : " We considered the cumulative effect of his errors ; his record was not too good, and, considering this, with his conduct on this occasion, we thought he was not a useful servant of Government, and the sooner he left the country the better." Public censure so severe has probably never been passed by a Cabinet Minister in the United Kingdom upon a subordinate. On consideration, the Indian members realised that for a British officer a broken career is virtually the end of life. Indeed, Sir Godfrey Fell, speaking of the position of certain military officers who had fallen under the censure of their superiors, said : " As it was put to me the other day by a very distinguished General Officer, to leave the army in those circumstances would be to many officers a disgrace worse than death." So the debate closed, clinching the impression made by the earlier discussion in the Council of State, that the Reformed Constitution had provided a spacious platform on which officials and elected politicians could at least make a beginning in harmony.

It may be added as a footnote that, while the foregoing debate threw a happy light on the present policy of the Government of India, the Government of the Punjab had given a much more dramatic proof of the manner and spirit in which it desired to administer the constitution, by appointing Lala Harkishen Lal, the " rebel " of 1919, to the post of Minister of Agriculture in 1921.

A week later a similar debate took place on the Press Act. T. V. Seshagiri Ayyar, a former Judge, who is now one of the ablest of the representatives of Madras, gave notice of his intention to introduce in the Assembly a Bill relating to the Press Act. It had been the Government's intention for some months to reopen the whole question of the legislation controlling the Press, but they were not prepared to proceed immediately by Bill. Therefore, on February 22, Mr. S. P. O'Donnell, Secretary to the Home Department, moved for the appointment of a committee " to examine the Press and Registration of Books Act, 1867, and the

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Indian Press Act, 1910, and report what modifications are required in the existing law." The terms of the resolution did not quite satisfy the Assembly. Many members wished to tie the Government down to more explicit pledges. The result of the debate, which lasted a little more than an hour and a half, eventually was an agreement between the Government and its critics which found expression in the following resolution :—

This Assembly recommends to the Governor-General in Council that a committee, of whom not less than two thirds shall be non-officials, be appointed to examine the Press and Registration of Books Act, 1867, the Newspaper Incitement Act (VII) of 1908, and the Indian Press Act, 1910, and to report which of these should be repealed or modified, and, in the latter case, what modifications are required.

Thus the Government took the second step in the process of making the new era a political reality.

Important as these subjects were owing to the part which they have played in the recent political history of India, Finance and the Army overshadowed them all during the recent session of the Legislature. The ironical imp who turns the wheel of fortune in politics could hardly have devised an economic setting less favourable to the inauguration of the reforms than has been presented by conditions of trade, commerce and agriculture in India during the past year. Not only was the monsoon of 1920 a comparative failure, but the depression which had already wrought havoc with the belligerent prosperity of Europe and America struck India at the very moment when she was preparing for the inauguration of the new reforms and ensured for them an unfavourable Budget as the first test of their validity. The economic problem, of which the present Budget is one of the principal fruits, would be critical enough for any parliamentary body to deal with. In India it is complicated by the predominating influence which military expenditure has over all public finance.

There is a great deal of popular misconception in India,



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both as regards the actual facts of army expenditure and as regards their relation to the rest of public expenditure. But, when all exaggeration and hyperbole have been shorn away, there still remains the anomaly that India stands in an unenviable eminence compared with other countries in the ratio of military costs to her entire Budget. Yet, if that were all, the problem would be simpler than it is. The racial factor enters into every army problem in India and will be more insistent in the future than it has been in the past. No one could listen to the debates in the Legislative Assembly, on the various aspects of army policy and administration, without realising that probably the major grievance of most Indians against the present system does not reside merely in the size of the Army Budget but in the difficulties hitherto standing in the way of a large and free entry of their fellow-countrymen into the ranks of commissioned officers. A certain amount of progress is being made every year with this subject, but the progress is slow and the clamour for a larger entry grows louder every year. It is difficult to persuade the average Indian politician that, apart altogether from any race prejudice, the entry of large numbers of Indian officers raises serious regimental problems. Indian critics on army administration are beginning to realise, and it is hoped that they will realise more and more fully, that until they face this particular problem in all its aspects with complete candour, they will neither be able to understand nor to solve it. It is fortunately no part of the present writer's duty to examine it further, but some emphasis has been laid upon it because of the part which it has played in several important debates during the recent session of the Delhi Parliament.

Even so, that is not the whole story. Every debate on army questions in Delhi during February and March was exacerbated by the suspicion that the report of the Esher Committee was the signal for an invasion of Indian political rights by the British War Office. It was difficult, by any form of argument, to persuade the Assembly that the

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report did not mean an end of the independent existence of the Indian Army. On two separate occasions the Assembly unanimously passed resolutions denouncing this tendency and insisting that :—

Notwithstanding anything contained in Parts I. and II. of the Esher Committee's report, the army in India should be entirely under the control, real as well as nominal, of the Government of India and should be free from any domination or interference of the War Office on matters of military policy, organisation or administration ; and that such co-ordination as may be desirable between the military policy or organisation of different parts of the Empire should be secured by discussion and agreement at conferences at which India is adequately represented.

These words give the substance of a resolution moved by Sir Sivaswamy Aiyer and carried unanimously after Sir Godfrey Fell had assured the Assembly that it represented the policy of the Government of India. As a member of the Esher Committee himself, Sir Godfrey Fell did his utmost to remove certain misconceptions regarding the report. He could not, however, remove the impression, first, that the personnel of the Committee was not all that could be desired, and, second, that its method of handling the question was not calculated to inspire confidence in the minds of independent observers.

At the very end of the session the same subject came up again, when a committee of the Legislative Assembly laid on the table a report dealing with the main issues raised by the Esher Report. On this occasion, as in the debate quoted above, Sir Sivaswamy Aiyer distinguished himself by the lucidity and moderation of his arguments. A whole day was spent on the subject, and the mind of the Assembly was expressed clearly enough to enable the Government of India to telegraph to the Secretary of State a convincing account of the attitude of the educated Indian public towards the questions raised by the Esher Report. In this respect, the deliberation of the Assembly's Committee, and the subsequent debate on the last day of the session,



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served a useful purpose. They supplied strong backing to the Government of India in its fight to retain unfettered control of its own military forces, and they revealed the growing sentiment among Indian nationalists that the capacity for self-defence is one of the foundations of self-government. Most Indians acknowledge that this capacity will require many years before it grows to its full stature. That acknowledgment takes some of the sting out of their attack on the present military system. But it would be imprudent for anyone judging the immediate political situation to lay too much stress upon it. The Report of the Assembly Committee on the Esher proposals ought to be read as the herald of a widespread agitation which will confront the Government of India in the not very distant future. Skill and patience have been needed to steer safely through the shoals of 1921 ; but infinitely greater skill—assisted by the courage that takes large risks—will be needed in future years whenever this question comes to the front.

The Assembly Committee on the Esher Report served another important purpose. The Committee was appointed two or three days before the Assembly embarked on the Budget. Had there been no such committee it is probable that a good deal of the energy expended on its meetings and of the arguments used in its report would have intruded into the Budget debate, and thus would have further increased the burden on the Finance Member during that critical fortnight. It was, therefore, a wise proceeding for the Government to accede to the demand for a committee, though the time of important officials was thereby mortgaged at a very busy period.

The Budget itself was the pivot of the whole Session. It was common knowledge beforehand that the Finance Member could not possibly paint a rosy picture in his first speech to the new Legislature, and, therefore, the generally depressing tenor of the finance of 1921 was considerably discounted in advance. The interest of the Assembly and

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the public was concentrated on speculation regarding the actual taxes by which the long-foreseen deficit would be bridged. On March 1 Mr. Hailey presented his proposals in a speech which made an excellent impression. It was well conceived for the purpose of presenting a very awkward gift to an Assembly not very willing to receive it. The Budget itself, like the speech, had a political flavour as well as an economic purpose. Mr. Hailey defended it skilfully at every turn in the long debate, but the Budget was, perhaps, its own best defence, since it laid the burden on the shoulders best able to bear it. The present argument however, is concerned more with the parliamentary treatment of Mr. Hailey's finance than with its economic merits. One factor in it is perhaps equally important in both aspects. The proposal to raise the import duties from  $7\frac{1}{2}$  per cent. to 11 per cent. is not only a bull-point for Mr. Hailey politically, but is also abundantly justified by those sound economic precepts which are nowhere more cogently set forth than in Alexander Hamilton's famous Report on Manufactures. If Lancashire wishes to understand the fiscal aspect of India's economic problem, she may be recommended to read the whole argument presented by Washington's intrepid Secretary to the Treasury. And it is to be hoped that she will not ignore the strong, though temperate, protests against her attitude made by those who hold an unchallenged title to speak for India. Let her observe, too, that it was a majority largely composed of elected Indian members that prevented the tariff against her from being raised to  $12\frac{1}{2}$  per cent. The Finance Member justified the new import duties as instruments of revenue designed to meet part of the deficit of  $18\frac{1}{3}$  crores of rupees\* ; and, as such, it is impossible to resist the conclusion that they are essential. Their protective effect will depend on conditions of international trade which are to-day impossible to forecast. Politically considered, they belong to the category of what may be called

\* A "crore" is ten million.



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autonomous legislation, and must be considered as the necessary consequence of the powers conferred on the Indian Legislature by the new Constitution.

It is an open secret that the Government approached the Budget debate with trepidation. On other difficult subjects which it was compelled to deal with in the Legislature it was more or less master of its own decision. In the case of the Punjab debate, for instance, it had a freedom of choice denied to it in the matter of Finance. Mr. Hailey's department had to deal with inexorable facts, and for him the area of selection was severely limited. In the circumstances, he is to be congratulated on having presented a Budget which, though bearing very hardly on certain sections of the community, distributed the burden with justice. He used the two main instruments of revenue for all they were worth—Income tax and Customs—and had to face but little opposition in respect of them. The increased postal rates were his chief difficulty, while in the background of every finance debate loomed the gigantic figure of military expenditure which the Assembly was not permitted to touch. In spite of all the difficulties, the Finance Minister and the Assembly survived the most critical test of the new era with credit.

On the expenditure side of the Budget each department of Government in turn was subjected to a severe fire of criticism and sometimes had to run the gauntlet of motions to reduce their votes by very substantial amounts. In this respect the Assembly did not appear to have fully understood the usual parliamentary procedure. Members would move reductions in the sums voted to essential departments of Government, amounting to a crore at a time, simply for the purpose of making certain criticisms on its administration. In several cases, no doubt, large reductions were moved with the deliberate purpose of saving money, but only one or two of these even came near being carried. Anxious as the Assembly was to cut down public expenditure, it never lost sight of the main question at

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stake—viz., the efficiency of Government. Time after time one could see that members were itching to carry sweeping reductions, as was done in the case of the Police vote in the Bengal Legislative Council, but in practically every case when they came face to face with the fact that their action would practically bring the machine of Government to a standstill, they recoiled, and the reduction was defeated. Taken all in all, at the end of a very critical month even the most hostile observer was bound to confess that the worst of his expectations had been defeated, and that the calibre of the Assembly was better than he had expected.

To put it in another way : if the Assembly had been manned by those persons who live in the imagination of certain English noblemen as Indian politicians, there is little doubt that the Budget would have been torn to ribbons, and that either Lord Chelmsford at the eleventh hour of his administration, or Lord Reading in his very first moments, would have been compelled to use the Governor-General's constitutional power of restoring the Budget. If the Assembly had compelled the Viceroy to take action of this kind, the death warrant of the new constitution would have been signed. The result, fortunately, bore no relation to these fears, though no one could have said in advance that the fears themselves were groundless. They have been dispelled because the new constitution has brought a note of reality into Indian politics which hitherto was lacking. Many members of the Government looked forward to the debates of the Assembly with no little anxiety when they realised that they themselves would no longer command a majority. It had become second nature to the official in the former Councils to rely on his block majority, with which, if necessary, he could steam-roller opposition. It was not unnatural, therefore, that he should look forward with alarm to the day when he would find himself face to face with a parliament in which he bore the entire responsibility for Government, and in which he would be face to face with a consti-



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tutional irresponsible majority. Now, looking back upon the past three months, one has little doubt that among the factors making for our recent parliamentary success has been the removal of this very official block. For the very fact that the elected members were in a majority, and therefore—all constitutional provisions apart—had a very real power in their hands, awakened in them a sense of responsibility which they would never have shown under a less liberal constitution. It would, of course, be easy to pick out many occasions on which the judgment of the Assembly, or of certain groups, was seriously at fault ; but these occasions are not to be taken as the type of parliamentary action that marked the first Session of the Indian Legislature. On the contrary, an observer who has watched the operations of the American House of Representatives and of the French Chamber of Deputies bears witness to the fact that the individual sense of responsibility shown in Delhi was at least as great as that of the politicians in Washington or Paris.

This analogy is perhaps worth pursuing a little further, for, while the Delhi Parliament has no more ardent desire than to mould itself on the House of Commons, the nature of the present Indian Constitution places the Legislature in a position more closely resembling the French and American Chambers than the House of Commons. Though the provisions of the fundamental law of France and America are quite different from the Government of India Act, the political result of all three is to make the Parliamentary Assemblies of the three countries irresponsible in a sense in which that word can never be applied to the House of Commons. The truth is that the Government of India Act, being a measure of transition, has inevitably created an unstable political condition. You cannot long maintain an irremovable executive as part of a Legislature containing an irresponsible majority. You must either detach the executive and place it in the position of the White House, or you must make it removable and thrust

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the responsibility for its removal on the shoulders of the parliamentary majority. The present period of transition, therefore, must abound with anomalies. Fortunately an anomaly is a bogey which never long disturbs an Englishman's sleep ; and we may look to the continuing operation of the Government of India Act to produce further anomalies, whose only importance will be as signposts marking dangerous turns on the road along which the makers of the final constitution of India must travel.

The sanguine tone which pervades the whole of the foregoing argument is deliberately chosen because it alone can accurately convey the impression of harmony that prevailed in Delhi. There is no doubt that each party surprised the other, since each was more reasonable and amenable than the other had expected. In the relations thus established between official and non-official there is ground for optimism. But no one looking into the future with what Winston Churchill would call " a political eye " can fail to see that neither party can hope to live long on its present laurels. It has been said that the War was a great forcing-house of political opinion and ambition. True ; but the Government of India Act bids fair to outrival even the War in bringing the plant of Indian growth to maturity more rapidly than any one could have guessed. The effect in the Assembly has already been described, and one may hazard the prediction that each successive session of the Legislature will have its own surprises in store. The sense in which the new constitution may truly be described as a forcing-house is that both the actual, and still more the implied, powers which it confers upon the Assembly as an instrument of government are greater than is commonly realised. A dawning sense of the magnitude of these powers is visible in the minds of most members of the Legislature. As it grows it will bring with it rapid—one might almost say revolutionary—developments in the working of all the organs of Indian government. The British public would do well to follow, as closely as may be,



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the course of events in India in the immediate future ; not allowing itself to be hypnotised or alarmed by sensational appearances, but piercing resolutely to the heart of the matter, which lies not so much in the non-co-operation movement as in the constructive development of Indian politics in the new legislatures. It will not be long before the public has to face the difficult issues presented by the rapid development of the political self-consciousness of India. If it prepares itself, in due time, it need have no cause for alarm either at the rapidity or at the probable character of such developments. The present writer for the moment need not attempt to analyse too closely his own meaning, but those who are aware of the changes now taking place in the Indian body-politic will not be slow to understand that his warning of coming events should be heeded.

### III. THE POSITION OF THE MODERATES

THIS account of the Delhi Parliament cannot be brought to a conclusion without some attempt to analyse the position of the Moderates—henceforth to be called “ The Liberals of India ”—in relation to movements outside the narrow parliamentary circle of the capital. Though the present argument is not designed to present any account of social and political movements beyond the immediate scope of the Imperial Indian Legislature, it may be noted in passing that the whole non-co-operation movement is changing under stress of forces which Mr. Gandhi cannot control. On the one hand, the significance of what has been achieved in Delhi cannot long be concealed from the Indian public generally, and in proportion as it becomes known the position of the Moderates will become stronger. On the other hand, the failure of the tactics of non-co-operation in schools, colleges, law courts, and among the title holders, has produced an exasperation in the minds

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of some of Gandhi's more violent lieutenants which may induce them to break away from his control and renounce the vow of non-violence. Such a split in the party of non-co-operation would greatly simplify the whole problem from the Government point of view and could not fail to strengthen the Moderates even though it entailed a period of confusion and disorder, as it probably would. It should be noted, therefore, that the position of the Moderates is much stronger than it was when they were elected last December. It is stronger in two ways : first, as noted above, because the non-co-operation movement is riven with dissension ; second, because the Moderates have greater confidence in themselves.

The latter aspect in the situation, in its turn, requires a little further examination. It was only after plucking up their courage to a remarkable degree that many of the Moderates accepted the Montagu-Chelmsford reforms, and pledged themselves to co-operate with Government in carrying them out. Doubts were rife regarding the value of the reforms. There were few, indeed, in the ranks of Indian politicians who could be described as unreservedly enthusiastic about the prospect held out to them. Thus it was that candidates who presented themselves for election last autumn found themselves attacked by their enemies at their most vulnerable spot. They had to face a harassing fire of criticism and to undergo a social boycott of no ordinary severity organised by the non-co-operators. The experience was not to their liking, and, in many cases, came very near undermining their original resolution to support the reform scheme. It was thus in no very sanguine frame of mind that the Indian Legislature assembled in Delhi last February. Members had not been there long, however, before they discovered that they had been far too pusillanimous in their estimate of the value of the reforms. As time passed, they began to understand the meaning of the new constitution, and to discover in it powers the right exercise of which would sooner or later



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give them a practically decisive influence over the Government. Now, it has been said that influence is not government; but in the present circumstances of India for a newly-elected member of the Legislative Assembly to discover the extent of his influence is a political revolution almost as significant as would be his appointment to the Governor-General's Council itself. Indeed, it is more significant because the latter appointment would be the arbitrary choice of an irremovable executive, whereas the influence which he can now exercise upon the policy of government is but the legitimate parent of the full powers of self-government to come.

India. April, 1921.

# CANADA

## I. THE GENERAL SITUATION AND OUTLOOK

THE industrial collapse in Canada has been greater than was expected, and unemployment has been general in all the chief centres. Nor is the recovery as rapid as could be desired. Wages and prices are falling, although there is feeling that retail traders have been unwilling to accept losses which farmers and manufacturers could not evade and thus have prolonged the season of acute depression. The Finance Minister delays the Budget and manifestly is deeply concerned over the general outlook. During the financial year which ended with March the revenue increased \$70,000,000 and expenditure decreased \$323,000,000. There was a surplus of \$40,000,000 over ordinary and capital expenditure, but against this surplus was the railway deficit of \$70,000,000. The public debt grows larger, and now carries an annual interest charge of \$129,000,000, but fortunately three-fourths of the debt is payable in Canada. Excise duties last year produced over \$76,000,000, but the yield from excess business profits taxes fell by \$7,000,000. It is believed that the excess profits taxes will be repealed, but there are wide differences of opinion as to what new taxes should be imposed.

If, as is expected, the Young Tariff Bill is adopted at Washington, very heavy duties will be laid upon animals and food products from Canada. Possibly the action of Congress may compel some readjustment of Canadian duties, but there will be no flavour of retaliation in any



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defensive measure that the Canadian Parliament may enact. It is recognised that Congress has an unquestionable right to make American interests the supreme consideration, and that an equal right to legislate primarily in the interests of Canada resides in the Parliament at Ottawa. But it is not likely that customs duties will be so readjusted as to give any material increase of revenue. The United Farmers and the Liberal Party continue to demand lower duties, and they represent a public sentiment which the Government will not rashly challenge. Boards of Trade, associations of manufacturers, and the financial interests generally seem to favour a turnover tax, but the retail trade is opposed as are also the farmers' organisations, even though it is understood that farmers would be exempted from its operation. It is clear, however, that if the excess profits taxes are repealed the Government will not easily secure the necessary revenue save through an extension of the sales tax or a general turnover tax on commodities and sales of merchandise.

It is doubtful if the Government will adhere to its intention to revise the tariff during the present session of Parliament. If revision should be attempted the session would be so prolonged that Mr. Meighen could not hope to be released from his parliamentary duties in order to attend the Conference of Prime Ministers in London. In the delicate and complex political situation which has developed he would be very reluctant to leave Parliament in session. Mr. Meighen has become as necessary to the Coalition as Sir Robert Borden was, and never, even under his predecessor, was the political outlook so uncertain. There is no reason to think that Canadian ministers have any very definite proposals to submit to the Conference. Probably the Government's chief interest is in the renewal of the Japanese treaty and the bearing of its provisions upon the Dominion and upon Anglo-American relations. The attitude of Canada towards Japan closely resembles that of the United States. The two countries have common problems

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on the Pacific, and feeling along the coast towards Asiatic immigration is as sensitive in the one country as in the other. Moreover, notwithstanding occasional indiscretions in the Press and on the platform, there is a deep and general desire in Canada to co-operate with the United States in international affairs and maintain and strengthen the understanding which the war sanctified between the Republic and the Empire. One cannot think that the time is favourable for final consideration of sea defence or for any comprehensive dealing with constitutional issues. Among Mr. Meighen's opponents there is a curious disposition and a sustained determination to involve him in some "conspiracy" to sacrifice the autonomy of Canada and betray the country into the hands of centralising Imperialists. To his supporters the object seems to be to discredit the Prime Minister in Quebec, where for the time French Nationalism is dormant and which never was a true expression of the sentiment of the Province, and to weaken the force of the attraction which his industrial policy undoubtedly possesses for very many of its workers, farmers, manufacturers and commercial and financial leaders.

## II. RACIAL AND NATIONAL DILUTION

**I**T has long been known with what success our apparatus of immigration has pumped aliens into our open spaces. Things not so well known are the proportion which these newcomers have come to bear to our total population; the extent to which they have affected the life of Eastern Canada; and the resistance which they are beginning to offer to what we call Canadianisation—an ugly but a necessary word. Upon this last-named subject questionings were beginning to arise in our minds before the outbreak of the war drew our attention to it very forcibly; but the questionings were rather weak, for the



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picture in the mind of the ordinary English-speaking Canadian was that of European settlers whose backs were turned for ever upon the Old World and its quarrels, whose eyes were upraised admiringly to that excellent person, the English-speaking Canadian, and whose hopes were in time to become even such men as he ; we still heard of the pathetic eagerness and uncanny quickness of the foreigner to learn English, and of the rapidity with which he became assimilated. Then came the thunderclap of war, and in a flash we perceived that we had several hundred thousand enemy aliens within our borders, cultivating the land, working in our mines and factories, furnishing no small proportion of our rough manual labour, and constituting an important portion of our national economy. They were docile folk, but they were enemy subjects, and at the very best were a deduction from the fighting strength of our total numbers. There was little trouble, and indeed they merit a word of praise for their quietness, but when we entered upon the difficult process of returning to a peace footing we discovered that these enemy aliens did not love us, nor admire us, as much as we had fancied. The Russian Revolution contributed its quota of discomfort, for it added all former subjects of the Tsar to the list of residents in Canada whose mother countries were at odds with the British Commonwealth, and in addition galvanised into intense activity the whole tribe of agitators, who in the first flush of proletarian enthusiasm beheld themselves about to rule the country after the manner of Moscow. In short, we discovered that we have as part of our community great masses of people who do not share our traditions and our loyalties, many of whom are smarting under the consciousness of racial defeat, and who only too often dislike our scheme of social organisation. In a word, our citizenship has been diluted. And this brings us to the question of the volume of this dilution.

We may be very daring and attempt an estimate in advance of the census which soon is to be taken ; in all

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parts of the country there are those whose business it is to be acquainted with those whose mother-tongue is neither English nor French, and it is from opinions expressed by them that the roughly approximate figures which follow have been compiled. Omitting the Maritime Provinces (though the coal-mining and industrial region of Cape Breton affords employment to a certain number of European immigrants) and also those parts of Quebec outside of the Island of Montreal, we have reason to believe that our foreign-born population is distributed thus :—

Montreal .. .. .	about 120,000
Ontario .. .. .	from 400,000 to 450,000
Manitoba .. .. .	about 175,000
Saskatchewan .. .. .	„ 360,000
Alberta .. .. .	„ 160,000
British Columbia .. .. .	„ 60,000

Altogether, this makes a grand total of a million and a quarter or a million and a third, or the sufficiently serious proportion of a sixth or a seventh of our total population. This formidable total is split among many races. There are four great groups which may thus be stated :—

Ukrainians (including Galicians, Bukovinians, etc.) .. .. .	from 250,000 to 300,000
Germans (including Russian-Germans and Mennonites) .. .. .	„ 175,000 to 200,000
Jews .. .. .	„ 125,000 to 150,000
Russians (including Dukhobors).. .. .	„ 100,000 to 125,000

Or altogether from seven hundred thousand to three-quarters of a million.

Four lesser groups are :—

Scandinavians .. .. .	from 80,000 to 100,000
Italians .. .. .	„ 60,000 to 75,000
Poles .. .. .	„ 40,000 to 50,000
Chinese .. .. .	about 50,000

or altogether perhaps a quarter of a million. Then come six smaller groups—Dutch, Belgians and French, each with



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from 20,000 to 25,000, and Finns, Japanese and Rumanians, each with from 12,000 to 15,000. And there are many others, some of them surprising enough, for who would expect to find in Canada ten or fifteen thousand natives of Asia Minor—Armenians, Assyrians and Turks? If we rearrange these figures, we get four or five hundred thousand Slavs, and two hundred thousand Germans, or perhaps two-thirds of a million who belong to stocks which, as already noted, have quarrels with the British Commonwealth. To these masses we must add the Jews, the majority of whom come from Eastern and Central Europe, and who form an element which for the time being shows little sign of heartily adopting our institutions and points of view.

On the prairies the greater number of these aliens are upon the land, though all the towns have their foreign quarters and the coal-mining industry of Alberta is chiefly worked by them. The foreign farmers often live in more or less segregated settlements, remote from the influences which make for amalgamation with the general body politic, but for the moment they give little anxiety, and may be described as a deferred rather than an immediate problem: for a problem it is to have great stretches of land held by those who do not share the traditions in which the country was founded. Farther East these foreigners greatly help to complicate our new and fast-increasing urban problems. Winnipeg and its immediate vicinity present us with a solid lump of 100,000, of whom 25,000 are Jews and 25,000 Ukrainians. Toronto has from 125,000 to 150,000, the largest element being thirty or forty thousand Jews, and the second largest nearly as many Slavs—Ukrainians, Galicians, Russians and Poles. Of Montreal's quota sixty or seventy thousand are Russian and Rumanian Jews. The smaller towns and industrial districts of Ontario have considerable foreign elements; Hamilton and the group of towns clustering about Windsor each have 30,000 or more, while the Niagara Peninsula (where, in addition to industrial establishments in operation, a canal and great electrical

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works are in process of construction), the Cobalt and Sudbury mining region, the Sault Ste. Marie district, and the head of the lakes (*i.e.* Fort William and Port Arthur), each have ten or twelve thousand; furthermore, in the counties of Wellington and Waterloo, in the heart of the Western Peninsula of Ontario, to a considerable settlement of Canadians of German blood, whose ancestors settled there two or three generations ago, have been added some twenty thousand or more immigrants of actual German birth. Thus the distribution takes the form of more or less compact settlements, and in the towns this tendency persists in intensified form, with the necessary result of national colonies. On the whole, the Jews are least addicted to this, and most inclined to spread into neighbourhoods mainly occupied by ordinary Canadians; but Slavs, Italians, Orientals and others form numerous tightly packed little islands of alien speech, customs and sympathy. Most of these people are labourers, usually unskilled, for, outside of some Germans in Western Ontario and some settlers, largely Finns, in Northern Ontario, few are on the land. Ontario and the West depend to a very large extent for their heavy, rough and unskilled labour upon the men of Central and Eastern Europe, and Quebec is not wholly exempt from such dependence.

Such are the principal statistical facts; what is the temper of these people? On the whole, disturbed and unquiet. Of union among them there is none, the internecine strifes of Europe, racial and religious, having migrated with them, so that Galicians and Poles are at bitter enmity, and Ukrainians are torn apart by Greek Catholics, Greek Orthodox, and a small but diabolically active faction of religion-hating revolutionists. But upon the whole there is abroad a spirit of resurgent nationalism and of resistance to Canadianisation. This ferment is chiefly noticeable among the Ukrainians. To these poor and uneducated people of peasant stock, as to our Russian settlers, has come the spectacle of their own relatives in



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the homeland seizing all control and appropriating all property; the plains of Central Europe once more are exceedingly interesting to them; their racial traditions have grown precious. If ever they did turn their backs on Europe and revere Canada, that mood has passed, and we can perceive a distinct tendency to despise this as a backward and Philistine country, where capitalism still holds sway, and whose ideals and culture are behind and below those of the happy realms where the Dictatorship of the Proletariat holds sway. All are not revolutionists; the revolutionists, indeed, constitute but a minority; but the wind is in the treetops, and for us the significant thing is that their European nationality and loyalty are rekindled. A curiously interesting phase of this, as example of the subconscious mind of a race in operation, is a species of rude cultural movement which can be seen at work from the St. Lawrence River to the Rocky Mountains—the rising of a Ukrainian vernacular revolutionary drama. In the slums of Montreal, Toronto and Winnipeg, in Edmonton and Saskatoon and Regina, in remote prairie villages, incredibly inept and violent plays are acted, representing the capitalist as the worker of all villainy, vilifying religion, glorifying murder in the name of revolution; done by amateur actors, they exercise a singularly potent effect upon audiences whose passion for the drama is part of their heritage, and whose æsthetic cultivation we Canadians have grievously neglected. Side by side with this goes a movement to draw Ukrainian children into racial schools, where Ukrainian songs will be taught and the Ukrainian language preserved, and incidentally where propaganda work will be done, sometimes by Greek Catholics, sometimes by Orthodox, sometimes by Bolsheviks, almost always hostile to the learning of English habits and the acquiring of Canadian loyalties. The Ukrainians have been mentioned more at length because of the striking manner in which the musical and dramatic instincts of the people are used in the movement, but they are not the only element which has embarked

## The Railway Problem

upon a conscious resistance to the melting-pot ; the Finns are noticeably stubborn in their nationalism, the foreign-language Jews are disposed to aloofness, and, in short, if we wish to weave these people into the warp and woof of our national life, we must resort to conscious effort. At present the situation is that a disturbingly large proportion of our total population dilutes our citizenship, adds nothing to the spiritual meaning of Canadian life, resists incorporation, and yet is necessary in the mechanical work of production.

### III. THE RAILWAY PROBLEM

SUDDENLY the railway problem has put all other questions into the background in Canada. As perhaps does not need to be explained, all the railways of the Dominion are now combined in two great national systems. Including second tracks, yard tracks and sidings we have over 53,000 miles of railway. The Dominion, the Provinces, and the municipalities have given cash subsidies to the railways to the huge total of \$275,000,000, guarantees of \$345,000,000, and land grants of 44,000,000 acres. To this must be added cash grants to the Canadian Northern and Grand Trunk Pacific Railways, and an obligation yet to be determined for the acquisition of the Grand Trunk system. The total capitalisation in stock and bonds is \$2,000,000,000, while gross earnings of all Canadian railways in 1919 were \$382,976,901. Between 1899 and 1919, the ratio of operating expenses per train mile increased from 65·4 to 89·3, although the carload was raised from 15·37 tons in 1917 to 23·46 tons in 1919, and the train load from 260 tons to 442 tons. The Canadian Pacific system has a total, owned and controlled, mileage of 18,859, and the Government system a total mileage of 22,230. The private company has over \$830,000,000 in cash invested in its railway property as against \$600,000,000 in outstanding



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securities. The roads which constitute the State system carry liabilities in bonds of \$1,039,462,892, and in stock of \$372,648,071, although what proportion of the stock will constitute an actual liability has yet to be determined. It is estimated that the fixed charges of the State system will exceed \$50,000,000, while in 1919 the gross earnings were \$162,978,066 and the operating expenses \$167,020,217. For the year 1919, the deficit on the system was \$50,000,000; and for last year the receipts fell \$70,000,000 below the expenditures. But these figures do not include interest charges for the National Transcontinental Railway nor for the old Intercolonial system. These roads have not kept their capital accounts as corporate roads are required to do. They show only the original cost of construction, which was \$330,062,719. The interest charges, therefore, would be between \$13,000,000 and \$15,000,000. If this sum is added to the deficit of \$50,000,000 reported for the year ending June 30th, 1919, the total would be \$63,000,000. But even to that high total something must be added. Since the Government was obliged to go to the relief of the Canadian Northern and Grand Trunk Pacific, there have been advances to the Canadian Northern of \$140,145,930, to the Grand Trunk Pacific of \$96,224,651, and to the Grand Trunk of \$49,551,701, or a total of \$285,922,283. Even to this must be added the cost of Canadian Northern common stock, which with interest was \$37,129,433. Advances and stock purchases together give a total of \$323,051,716. The interest would average 5 per cent. or more. It is necessary, therefore, to add between \$16,000,000 and \$17,000,000 to the \$63,000,000, and to admit a total deficit in 1919 of approximately \$80,000,000 under the system of accounting which a private railway must follow, and which must be employed if the true situation is to be disclosed. Indeed, Mr. J. L. Payne, for many years Comptroller of Railway Statistics, but who was superannuated a few weeks ago, finds a total deficit under any proper system of accounting of \$138,000,000.

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Mr. Payne's figures may be excessive, but it is true that there has always been a degree of evasion and confusion in the accounts of public railways in Canada. The whole problem has been made tremendously difficult by the great increases in wages. In 1910 the total annual payment in salaries and wages to railway employees was \$67,167,793; in 1914, \$111,762,972; in 1918, \$152,274,953; and in 1919, \$208,939,995. For 1920 the total was probably \$250,000,000. In 1910 the ratio of salaries and wages to gross earnings was 38·61 per cent., and in 1919, 54·56 per cent. The hour basis for statistical purposes was not adopted until 1917, and it is, therefore, possible to give exact comparative increases to various classes of railway employees only between 1917 and 1919:—

						1917. Cents.	1919. Cents.
Section men	..	..	..	..	..	20·6	36·6
Machinists	..	..	..	..	..	42·2	68·5
Masons and bricklayers	..	..	..	..	..	35·0	58·5
Carpenters	..	..	..	..	..	30·4	58·1
Painters	..	..	..	..	..	29·6	59·7
Electricians	..	..	..	..	..	32·3	61·3
Car repairers	..	..	..	..	..	26·3	54·2
Despatchers	..	..	..	..	..	62·3	95·7
Telegraphers	..	..	..	..	..	30·8	60·8
Station agents	..	..	..	..	..	32·2	52·0
Road freight engineers	..	..	..	..	..	53·8	79·8
Road freight firemen	..	..	..	..	..	36·4	60·7
Road freight conductors	..	..	..	..	..	48·3	67·8
Road freight brakemen	..	..	..	..	..	32·4	53·7
Passenger engineers	..	..	..	..	..	68·8	101·7
Passenger firemen	..	..	..	..	..	41·3	76·7
Passenger conductors	..	..	..	..	..	58·9	79·8

Three awards, all closely associated with government control, explain the remarkable advances in wages in the United States and Canada. In order to avert a strike, on the American roads, Congress under the pressure of President Wilson enacted the Adamson law, establishing an eight-hour day and materially increasing wages. This was



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followed by a second increase while Mr. McAdoo administered the American railways, and by a third award eight months ago which gave a further advance of 21 per cent. or a total increase in wages of \$625,000,000 to the employees of American railways. The Railway Brotherhoods are international organisations, only 8 per cent. of whose members are employed in Canada, but, naturally enough, they insisted that the concessions secured through Washington for American railway workers should apply to the railways of Canada. It is estimated that, as compared with pre-war scales, the wage increases on Canadian railways represent a gross annual payment of \$135,000,000 or \$140,000,000, while comparatively the cost of supplies represents an additional annual expenditure of \$100,000,000. In six years the gross cost of operating Canadian railways has increased by \$240,000,000 or \$250,000,000. It is true that there were rate increases on March 1, 1918, of 15 per cent. ; on August 12, 1918, of 25 per cent. ; and in 1920 of 40 per cent., with a subsequent reduction. But the significant fact is that the gross earnings of all the railways in 1919 were \$382,976,901, while wages alone for 1919 represented a total charge of nearly \$209,000,000, and for 1920 of probably \$250,000,000 as against \$111,762,972 in 1914.

In Canada, too, as in the United States, the allowances for overtime and other regulations defining and restricting the duties of classes of employees have operated to increase wages. Speaking at Saskatoon a few days ago, Hon. Frank Carvell, Chairman of the Dominion Railway Board, gave figures which showed that on one of the western branches of the national railway system a conductor during the first twelve days of February drew \$289, for a second period \$238, and for the full month \$528. In March this conductor was paid \$598, while for the month brakemen on this section drew \$403 and engineers \$616. In the United States the national agreements between the railway companies and the labour organisations will be terminated on

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July 1, and doubtless such revision of the contracts as may be effected will extend to Canada. But it is certain that the unions will resist wage reductions, and at best there is little prospect that the wage burden will be greatly reduced.

A serious conflict arose over the slow progress of the arbitration to determine the value of certain Grand Trunk securities. By agreement between the Company and the Government the award of the arbitrators was to be made by April 9. Application to extend the time was refused save on condition that the Grand Trunk system was immediately handed over for operation by the Government. The country has made total advances on account of the Grand Trunk Pacific of \$62,400,000 and on account of the Grand Trunk of \$77,297,000. Of this amount \$47,000,000 represents advances to the Grand Trunk since it was determined to acquire the railway. The situation is thus stated by *The Montreal Gazette*, which has resolutely opposed "public ownership" and which still is unconvinced that satisfactory financial results will follow purchase of the Grand Trunk system :—

The proposal of the Government embodied in the Bill before Parliament is that the shareholders of the Grand Trunk shall at once turn over the property. If immediate possession and control is given, the Government will revive the arbitration to determine what, if any, amount, up to a previously fixed figure, is to be paid the preference and common stockholders of the Grand Trunk. The shareholders, if they consult their own interests, have really no option in the matter. A debt to the Government of \$139,000,000, of which nearly \$74,000,000 has been incurred within two years, is very much more than the shareholders can assume, and default of interest payments implies a receivership. That is about the last thing to be desired. The Grand Trunk has some thirty separate subsidiary companies in the United States, all of which would, in the event of foreclosure proceedings, fall into the hands of as many receivers, and a pretty mess would be made of the system. Canadian Government ownership of 2,000 miles of railway in the United States is not without its perils, but these can be faced with greater equanimity than thirty receiverships. There is but one alternative, apparently, to the incorporation of the Grand Trunk in the National system, and it is, in the words of Hon. Mr. Meighen, "the dissipation and disinte-



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gration" of the road. That no one desires, and only pernicious obstinacy can cause the shareholders to refuse the condition laid down by the Government. If they believe that by putting up the property to sale the proprietors will realise more than by acceptance of the offer embodied in a Canadian statute, they will display an infinite lack of astuteness and a remarkable credulity, and we conclude that before another month has passed the Grand Trunk will be in control of a Government nominated directorate, and the arbitration proceedings will have been resumed.

The position of the Government is that until the Grand Trunk is actually acquired by the country it is impossible to co-ordinate the National Railway services, reduce duplication in terminals and mileage under operation, and effect the economies which may be possible under a unified system. There is no doubt the Government also suspected that the Committee of Management which has been operating the Grand Trunk was not anxious to expedite the arbitration and cherished the hope that a general election would be precipitated, the Meighen Government defeated, and an Administration opposed to railway nationalisation come into power at Ottawa. For this suspicion there may have been no justification, but unquestionably the necessity for heavy advances to the Grand Trunk and the leisurely progress of the arbitration created an atmosphere of distrust and led to summary and peremptory action by the Government. There is some feeling in Canada that British criticism of the Government has not been generous, nor just, nor very intelligent. It is not regarded as reasonable that the Government should take over the unproductive Grand Trunk Pacific and leave the more productive Grand Trunk in older Canada in the hands of a company which absolutely could not carry its Western extensions. There is resentment that confiscation should be suggested when it is believed that the shareholders of the Grand Trunk have been protected by the Government against a receivership. Finally, through overbuilding, for which the Grand Trunk has some responsibility and which the whole country sanctioned in a season of extreme optimism, the Government

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is involved in a railway situation which compels heroic action to reduce deficits and steady public opinion. It is believed there will be a radical reorganisation of the National Railways, but there is no hope that deficits can be overcome in the immediate future. Indeed, there is danger that they may continue until the people grow weary of public operation of railways. On the other hand, a time may come when a great system of railways built with cheap money may be a very valuable national asset.

### IV. AMERICAN INFLUENCES IN THE DOMINION

VOICES have lately been raised in Canada deploring what is described as the "Americanisation" of the country. The flooding of Canadian bookstalls with United States magazines and novels, the capture of the Canadian moving-picture palaces by United States films, the dependence of Canadian newspapers on United States sources of information—these are perhaps the most obvious features of the process. But they are not the only features. There are some American influences at work in Canada to-day which are so subtle and profound that Canadians themselves are scarcely aware of them. Not only do the majority of Canadians know their slang and their spelling from the United States, but they know also, to a large extent, their ideas in education, in social and moral reform, and even in politics. More and more every day Canadian schools and universities tend to approximate to the type south of the line. The latest American fads in social legislation are being continually adopted, in the most slavish and uncritical way, often just about the time the Americans have begun to discard them; and the influence of American ideas of government on the political philosophy of the average Canadian—not only in federal and provincial politics, but even more remarkably in municipal politics—is a subject on which a whole book might be written.



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Nearly every movement of opinion in the great Republic, no matter how wild and heretical, has had an echo in Canada ; and often it would seem that the wilder and more heretical the opinion, the louder the echo.

The extent to which the boundary line between Canada and the United States is ignored is, one feels sure, not generally realised. The railways of the two countries are so closely interlocked that they constitute virtually one system ; and a wages award by the United States Railway Board, for instance, is almost automatically binding on the Canadian Government Railways. A large number of the Canadian labour unions are international, and take their orders from south of the line. The larger Canadian cities have teams to which they lend their names in the baseball leagues of the northern States. Hundreds of organisations, in fact, from professional associations like the United Typothetæ of America and the American Library Association to social institutions such as the Rotary Club and the Greek Letter fraternities, are continent-wide, and frankly treat the boundary line as non-existent. This international comity and inter-relation has without doubt a very admirable side, for it is one of the things which make a repetition of the war of 1812 unthinkable. But, as a recent writer in the *Canadian Historical Review* has pointed out, it " tends to make of Canada nine more states not yet brought formally under the control of Washington."

The truth is that the creation and preservation of the Dominion of Canada has been a victory over geography. From the standpoint of the geographer, Canada is to-day a loosely articulated series of four distinct areas. The Maritime Provinces are cut off from Central Canada (Ontario and Quebec) by the wilderness of northern New Brunswick and by the State of Maine ; Central Canada is cut off from the Prairie Provinces by vast stretches of barren land north of Lake Superior ; and the Prairie Provinces are cut off from British Columbia by the barrier of the Rockies. Each of these four geographical units,

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moreover, is (humanly speaking) nearer and easier of access to the adjacent parts of the United States than to the adjacent parts of Canada. The natural market of the Maritime Provinces is in New England; Ontario—which gets from Pennsylvania the coal that keeps its factories going—is nearer to New York than it is to either Halifax or Winnipeg; the Canadian prairies are divided from the Western States by nothing more formidable than a parallel of latitude; and Vancouver is only next door to Seattle. National unity in Canada has been the result, not of geography, but of something that has transcended geography.

Reviewing all these facts, one might be tempted to conclude, as Goldwin Smith concluded, that Canada's "manifest destiny" is political, or at any rate commercial, union with the United States. The facts of geography are stubborn facts; and the attempt of Canada to ignore them would seem, in view of the tendencies noted above, and also in view of the débâcle which is threatened in connection with Canada's transcontinental railway policy, a very dubious success. It might seem the part of wisdom for Canada to "accept the inevitable," to admit that Confederation has been a failure, and to work along the line of least resistance by allowing itself to be absorbed by the great neighbour to the south.

Such a view, however, would fail to take into account a number of factors in the situation to which the greatest importance must be assigned.

In the first place, it must never be forgotten that there are in Canada to-day between two and three millions of French Canadians—from one-fourth to one-third of the total population of the country. Most of them are to be found in the province of Quebec; but they are to be found also, sometimes in considerable numbers, in almost all the other provinces, and their influence in some of these is far from negligible. They are not, and never will be, imperialists; but they are, on the whole, loyal and faithful subjects of the Crown, and they are even less likely to



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become annexationist than imperialist in sentiment. Probably there is no element in the population of Canada less susceptible to American influences than they. Under the British flag they have enjoyed certain rights and guarantees ; they have been able to preserve their national identity. Under the stars and stripes they know that they would lose this identity, as the French of Louisiana have lost it. "They would simply be engulfed," as one of them has recently said, "in the great American whirlpool ; they would be drowned, and would disappear entirely, and for ever, in that deadly maelstrom." On the double fact that the French Canadians are impervious to American influences, and at the same time irreconcilable to the very idea of annexation, now or hereafter, lies perhaps the secret of the future of Canada.

A second consideration is the fact that the original English-speaking population of Canada was almost wholly United Empire Loyalist. That a disastrous family quarrel which took place a century and a half ago should have left behind it in Canada an aftermath of bitterness and hatred may be regrettable, but it cannot be denied. Even among people in Canada who appear to be most open to American influences there is often a strong current of hostility to the United States. It is the United Empire Loyalist tradition. Some day, perhaps, this tradition may die down. But for the present there is no possibility of the idea of annexation gaining any foothold among even the English-speaking population of Canada ; and, such is the tenacity of the tradition, it may be doubted whether the idea of separation from the Empire will ever be realised except, as Sir Francis Hincks once said, "as the result of civil war, a calamity so fearful that it will not be hazarded."

Lastly, sight should never be lost of the fact that there has grown up in Canada within the last half-century a distinctive national spirit—a spirit not French-Canadian, or British-Canadian, but all-Canadian. This spirit is still young, but it is still growing. It grew even during the

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period of the late war. "Nationality," as Mr. Zimmern has said, "means more to a Jew and an Armenian (probably the two oldest surviving forms of national consciousness) than to a Canadian; but, to quote a famous phrase, it means more to be a Canadian to-day than it did before the second battle of Ypres." This national spirit has within it nothing inherently inimical to the supernationalism of the British Empire, with its amazing varieties of national life; but it is, to speak frankly, incompatible with the exclusive nationalism of the United States. A nation which leapt instantly to arms in 1914, and which enrolled itself at the outset in the Society of Nations formed in 1919, is obviously actuated by ideals at variance with those of a nation which did neither. Indeed, as Lord Durham pointed out over eighty years ago, the growth of a strong national feeling in Canada is the surest means of safeguarding the Imperial tie, and of counterbalancing such tendencies as exist toward separation or annexation to the United States. After describing the American influences at work in Canada at that time, Durham—in a passage of his famous Report to which far too little attention has hitherto been paid—expressed himself as follows:—

If we wish to prevent the extension of this (American) influence, it can only be done by raising up for the North American colonist some nationality of his own; by elevating these small and unimportant communities into a society having some objects of a national importance; and by thus giving their inhabitants a country which they will be unwilling to see absorbed even into one more powerful.

In nothing, perhaps—not even in his advocacy of parliamentary government in the colonies—was Lord Durham's wisdom and foresight more abundantly revealed than in this passage. Confederation, when it came, gave birth to Canadian national feeling; and this feeling makes political union with the United States an impossibility.

Canada. April, 1921.



# AUSTRALIA

## I. THE IMPERIAL CONFERENCE

THE Imperial Conference to be held in June of this year will give a greatly needed opportunity to the Statesmen of the Empire to review the changes which have been wrought by the War and the Peace. During the last six years the waging of war and making of peace have not allowed much time for reflection. Yet during that period great changes are said to have taken place in the relations of the constituent members of the British Commonwealth. There is, however, no agreement as to what these changes are. We fought the War under a well established régime in which the practical freedom of the Dominions was combined with a single diplomatic front. The legal supremacy of the British Parliament was also an important though unobtrusive factor. This machinery worked satisfactorily during the war. It is now said that we have scrapped it. There was no mandate for any revolutionary change. If a change has been made in our relations with foreign nations it will certainly be necessary to readjust the internal machinery of the British Commonwealth. The capital functions of the Conference of 1921, if it is allowed to perform them, will be to review the position and determine the necessary reactions to the new order.

We express some doubt about the prospect because the Imperial Conference has always been too much of a State function. Compliments are passed. Patriotism is rampant. There is too little plain speaking. There is a remarkable

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unanimity about non-essentials. Few vital matters are allowed to be pressed to a conclusion. If a Conference broke up in disagreement one would feel that some respect was being paid to it. If eggs were broken omelettes might result. As it is there is always a distinct tendency to avoid the discussion of questions which are fundamental.

The Conference of 1921 will be attended in the main by the men who met at Paris. They will be called upon to review in a calm moment what they did in the flush of victory. Unfortunately, the representative of Great Britain will be different. It is assumed that Mr. Lloyd George, Prime Minister of Great Britain, will preside. But the actual management of the Conference will devolve upon the Secretary of State for the Colonies. In this office a change has recently taken place for reasons which are not clear to Australians. Lord Milner, an ardent Imperialist, has advocated Imperial Federation as the best method of organisation, and on account of this he has always been regarded by a certain class of politician in the Dominions as the head of the "Downing Street Conspiracy" to deprive the Dominions of autonomy. The absurdity of this suspicion is shown by recent events. At Paris he witnessed silently and unprotestingly the rapid advances made by the Dominions in their status. Later he was responsible for the report which recommended that a high degree of independence be given to Egypt.

Australians have been left to speculate as to the reason for the Ministerial reorganisation which has given them Mr. Winston Churchill as head of the Department responsible for Dominion affairs. It is popularly supposed in Australia that he opposes the Milner withdrawal policy for Egypt and would be in favour of a constructive policy there. Some speculation exists as to what his attitude towards Imperial questions will be at the Conference. The valedictory speech of Lord Milner conflicts remarkably with the remarks with which Mr. Churchill inaugurated his régime. Apparently the Imperialism which is to be



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applied to the Egyptian problem is to be applied to the questions of the whole Empire. We cannot help regarding the prospect with some apprehension. The present is not the time for a Napoleonic stroke or a Bismarckian piece of Empire building. That, however, is not to say that the Statesmen of Great Britain are to be mere onlookers waiting upon Dominion action. A reorganisation of the British Commonwealth must be voluntary and spontaneous. But it is sometimes overlooked that Great Britain is a part of the British Commonwealth and that no reorganisation is possible without her assent. It would have been natural that British Statesmen should take the lead in submitting definite proposals to clear up the present indefinite situation. If Lord Milner's policy be followed this will not happen. Britain will wait for Dominion representatives to make suggestions. There are many Australians who consider this policy unfortunate. They feel strongly that Britain would not discharge her responsibility if her representatives did not point out to the Dominions the implications of the policy they are pursuing. With regard to this, however, Lord Milner and other Statesmen have had reason to realise the force of the suspicions with which any suggestions they have made have been received. The Downing Street conspiracy against Dominion autonomy, though a false legend, is not exorcised from the minds of some Dominion politicians. Moreover, if the Dominions are autonomous States within the Empire, there is an immediate duty upon them to formulate plans which shall express both the autonomy and the membership of the Imperial Commonwealth and shall dissipate the doubts which attach to both. So long as the responsibility for Empire policy is left entirely to Great Britain the Dominions will never realise the hard facts of International life. In proportion as they realise from experience the difficulties involved in these facts, they will seek a solution in Imperial unity. In fact, the Dominions can only discharge the responsibilities which are involved in autonomy

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by voluntarily seeking a common Empire organisation in which the resources of the whole Empire are made available whenever danger threatens any part.

The responsibility is really mutual. But Great Britain alone is able to explain fully the difficulties of the present situation and the consequences which may result from it. Her representatives must state candidly whether Britain is willing to discharge all liabilities which may be incurred by a Dominion acting on its own responsibility.

On the other hand the Dominions suffer most by isolation from Great Britain, and the responsibility really is on them to say whether the present organisation protects them. If Australia does not suggest something to correct the separatist tendency apparent during the Peace Treaty period, most thinking people in Australia will think that Mr. Hughes has failed to discharge his responsibilities. What would be disastrous would be for Mr. Winston Churchill to open the Conference with some large far-reaching scheme. This would stimulate suspicion and resistance in some of the Dominion statesmen and at the same time apparently remove the responsibility from their shoulders.

The provisions of the Peace Treaty which affect Dominion status mark the first fruits of Dominion responsibility, and it is because it is realised that the work done at Paris was hurried and partial that the work of the 1921 Conference should be to review it and supplement it. At Paris the Dominions were given their head. They arrived at a certain status and undertook certain obligations which were at the time spoken of as a triumphant emancipation. The time has arrived to try out and weigh up what was done at Paris.

It would be a great mistake for those who cherish hopes for the British Commonwealth to become alarmed at the changes in Imperial relations which are embodied in the Peace Treaty and the Covenant of the League. Certain developments were inevitable after the War. The War



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demonstrated the spiritual unity of the Commonwealth. The people of the Commonwealth have never been consulted about and have never approved any breach in this spiritual unity. The whole issue is whether the steps taken at Paris represent a statesmanlike, rational and practical expression of the spiritual principles which comprise the idea of the Commonwealth. Those at Paris worked under great difficulties. The men who were intoxicated by victory were overweighted by serious work. Did they work wisely? Will their devices serve? Is it necessary to review this part of the Peace Settlement?

The changes in Imperial relations which have been taken since the Armistice cannot be expressed in any definite terms. They can only be asserted as inferences drawn from the actions of the parties—actions themselves imperfectly known at any rate in Australia. The Dominions were made full members of the Peace Conference and enjoyed (or suffered) full diplomatic contact with foreign plenipotentiaries. This was the first step. In the signature of the Peace Treaty each Dominion representative is shown as advising the King to assent to the Treaty in the same way as the King's British Ministers. This was the second step. Lastly in the Covenant of the League of Nations each Dominion is set out as an independent power and undertakes individually the obligations which membership involves.

In the circumstances which existed at Paris the first step cannot be regarded as other than an advantage. The creation of the British Empire Delegation was the supreme triumph for the British Commonwealth at Paris. This body enabled Dominion delegates to envisage their responsibilities, and participate in the vast work of the Peace in association with the British representatives and staff. In the Delegation all the great matters of Imperial concern were discussed in common. The work was parcelled out to all and the unity of the whole effect was preserved. No member of the Delegation could communicate formally

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to foreign representatives except through the official head of the Delegation. It is a thousand pities that the British Empire Delegation could not have developed in some way into a permanent organ of the British Commonwealth.

The second step, the separate signature of the Peace Treaty, does not necessarily involve any change in Imperial relations. The parties to the Treaty were carefully set out. A new entity, the British Empire, is named as a party to the Treaty. The King's British Ministers advise him to assent on behalf *inter alia* of the British Dominions beyond the Seas, while the Ministers of those Dominions also advise him in the same way. Here the unity of the Empire is definitely affirmed. But the comments of some of the Dominion Ministers upon this phase of the treaty are very disturbing. Reading the remarks of Sir Robert Borden and Mr. A. L. Sifton and General Smuts one can hardly see how the constitution of the British Commonwealth differs from a merely personal union like that which so long existed between Great Britain and Hanover. If this be so a very definite breach has been made in the unity of the Empire. The union in this case is neither material nor spiritual. It is only nominal, a mere fiction. Nor will it work. For the first time that the King receives contradictory advice, the system breaks down and the fictitious character of the union is demonstrated. The important question is whether if one part of the Empire is at war the rest are so automatically. This is most urgent for a country like Australia which is dependent for its protection on the British fleet. The disadvantage of being dragged into a European War is less than the advantage of the recognition by England of the responsibility for her defence. According to the Canadian view a Canadian Minister might advise war against the advice of British Ministers, but if Canada went to war the whole Empire would be involved. This is unthinkable. General Smuts would go farther and let each Dominion conduct entirely separate diplomacy. The last vestige of the



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authority of the British Cabinet and the British Parliament is gone. Such a view is not in accord with Australian opinion.

Australians have willingly accepted the decisions of the British Cabinet as to Peace and War and would probably continue to do so. It might meet their wishes if some machinery could be devised by which they could be kept in touch with the trend of British relations with the outside world, and could receive information on which an intelligent public opinion might form itself. On the other hand they should have an opportunity of bringing their needs before the British Cabinet and Parliament. For this permanent consultation a competent staff and foreign relations Committees in the British and Dominion Parliaments seem necessary.

The independent membership of the League of Nations which the Dominions assume is of the utmost importance, even if the League fails to justify its existence. For it throws light on the status that the Dominions wish to adopt towards the world at large. Sir Robert Borden, before he signed the covenant, obtained an assurance that Canada stood in the League in precisely the same position as any other power and was eligible for a seat on the Council of the League notwithstanding that Great Britain was also a member. The strong insistence by Sir Robert Borden on absolute independence on the League is curious and shows a strange lack of appreciation of realities. Independent membership of the League cannot assist a Dominion in any cause it has at heart. An isolated Dominion will be about as unimportant on the League as a small South American State of 5,000,000 inhabitants. The influence of Great Britain in the Council of the League is as great an asset to a Dominion under the League regime as its fleet under the old regime. The feature of the League which Sir Robert Borden seems to have failed to appreciate is its obligations and guarantees. Canada, by joining the League, undertook what America, with its vast resources,

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personal and material, balked at. Was Canada wise or the U.S.A. timid? General Smuts had the theory that the British Empire was accepted as a League within a League, and that a Dominion could vote as an independent member and still retain its common organisation with the parent member. This cannot be accepted as a feasible or statesmanlike proposition. The essence of the League Covenant is that the power that signs it will back its vote with all its influence. If the Dominions vote separately but preserve their common organisation with Great Britain, their votes are mere shams. They cannot enforce them against a member of the British Commonwealth. This is shown clearly by what has taken place. Separate voting for the Dominions was one out of several causes of the rejection of the League by U.S.A. This most logical objection produced its impression on English statesmen, and when the Empire delegates went to Geneva they went as isolated units. That most successful co-operative unit, the B.E.D., was not resumed. In deference to the anticipated objections all associations at Geneva are said to have been dropped. It is understood, however, that before departing from London the British delegates had a close conference as to the policy to be adopted there. There is no warrant in the covenant for the idea of the British League within the general League. It is inconsistent with its spirit, and it has been already proved that it will not work. What is really needed is the acceptance by the Dominions of a limited membership of the League not involving a separate vote. The organisation of the British Empire delegates should be made permanent. The Dominions should have permanent members on its staff, and it should be made the vehicle for consultation on Imperial Problems. Through it and the League the relations of the Empire to the outside world should be controlled.

If the suggestion outlined above were adopted a statesmanlike solution of the difficult problem of Imperial



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relations would be found—a solution which would allow free play to the principle of Dominion autonomy and yet preserve unity. This would permit also of a solution of the question of Imperial Defence. On no subject is frank speaking more necessary than on this one. The share taken by the Dominions is too small compared with their wealth, prospects and needs. The danger of the situation is lest Britain should undertake more in the altered circumstances than she can bear. Any arrangement which was not based upon realities might break down in a crisis and leave us without proper provision. A Ministry in England unaccustomed to Imperial responsibilities might sacrifice the Defence needs of the Empire. Besides, experience of the burden of Empire will induce a more lively sense of responsibility in the Dominions.

An extraordinary feature about the situation in Australia is that Mr. Hughes has never yet taken the people of Australia into his confidence as to the Imperial issue. He never fully informed them as to the changes made at Paris. He has given no information as to the policy he will pursue in London in June. Senator Millen, who has just arrived from the League of Nations' meeting, displays a similar reticence. Parliament will meet in about a fortnight, and a very strong demand is being made that this secrecy shall be abandoned and a full statement of the Ministerial policy given to the people.

The one matter of outside relations which will be discussed at the Conference is the renewal of the Japanese Alliance. There is a quite unwarranted feeling abroad that because Australian policy runs counter to that of Japan the Alliance should necessarily be terminated. It would certainly be very wrong and exceedingly dangerous to enter into a treaty in which this question is buried and which is thus a mere sham. But the Australian policy is not aimed at Japan. Properly understood, it involves no dishonour to Japan; our policy is reciprocated in every way by Japanese legislation. Japan is interested more in the

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Asiatic continent than in Australia. On the other hand, it must not be forgotten that a policy of injustice and exploitation in Asia will not be beneficial to Australia in the long run, and also that the friendship of America is more valuable to Australia and the Empire than the contractual amity of Japan. The diplomats who have the matter in hand must be able to judge whether a statesmanlike and advantageous bargain can be struck. Every project which limits armaments in the Pacific must be of advantage to Australia, and if the Treaty is used to this end it may be of inestimable value to us.

### II. THE FINANCIAL POSITION IN AUSTRALIA

**I**N THE ROUND TABLE for December, 1920, ten resolutions proposed by the Commission on Public Finance, and adopted unanimously by the recent International Financial Conference at Brussels are published. At this Conference summoned by the League of Nations, thirty-nine countries were represented by eighty-six financial experts. The conclusions arrived at by such an authoritative body demand the closest attention of everyone responsible for the conduct of government, and, indeed, of all citizens who take an intelligent interest in the economic problems awaiting solution in every civilised country.

In this article it is proposed to review the financial situation in Australia in the light of the principles laid down in these resolutions.

At the outset it may be useful briefly to summarise them as follows :—

1. Economy in Government Expenditure and the return to sound financial methods in meeting present and future obligations.
2. Economy in private expenditure.
3. Increase of production as a condition precedent to reduction of prices and the restoration of prosperity.
4. The co-operation of all classes in effort and sacrifice to enable



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Government to give effect to the principles laid down in the Resolutions.

It is a principle of sound finance that individuals and governments must actually pay their way, not merely adopt the Micawber method of an I.O.U. Unhappily in Australia we have seen both Federal and State Governments adopt the latter method. Two rather glaring instances may be quoted : Yielding to electioneering influences, the Commonwealth Government secured the passage of an Act in April, 1920, authorising the issue of War Gratuity Bonds to returned soldiers. Having regard to the financial position, there was no justification for the promise given by the Prime Minister to bestow these gratuities. It will ultimately cost the community about thirty million pounds when the bonds mature on or before May, 1924, and in the meantime they serve to inflate credit by an increase of artificial purchasing power, and thus add to the difficulties of the financial situation.

The other instance is the electioneering promise made by Mr. Storey, the present Premier of New South Wales, to pay to farmers an instalment of 2s. 6d. a bushel against their wheat deliveries in addition to the 5s. guaranteed by the Federal Government. When Mr. Storey came into office with this undertaking to face, he discovered that there was no money in the Treasury, and so far he has failed to induce the banks to finance the scheme. It has been publicly announced that the Government will pay the farmers in cash if it can get it, or if not, in bonds. These bonds would amount to between five million and six million pounds, and the intention, no doubt, is to redeem them when the whole of the wheat is actually sold. The Government's action was highly speculative, as there was then no certainty that future sales would justify the additional guarantee.

Both these instances indicate either ignorance of the fact that to increase artificially the purchasing power of the people adds to the cost of commodities and the high cost of

## The Financial Position in Australia

living, or else an indifference to the fact that unsound methods of public finance in the long run react disastrously on the whole community.

Both Federal and State Governments have to face a burden of debt which should not be added to without ample justification. The Commonwealth Public Debt at December 31 last amounted (in round numbers) to £406,800,000 and the State Debts at June 30 last to £421,400,000. From the total of £828,200,000 must be deducted £40,300,000 of debts appearing in both statements, thus leaving a balance of £787,900,000, representing approximately Australia's indebtedness at the present time. Of this amount £357,600,000 is owing in London and £430,300,000 in Australia. No less than £377,700,000 of the public debt is due to the war, and the interest bill on this portion amounts to £18,531,000 per annum. The annual interest on the whole public debt is £15,285,000 payable in London and £19,909,000 payable in Australia.

As the total population of Australia is only about 5,300,000, it will be seen that the public debt represents, roughly, £150 per head. Against this, however, must be set the public ownership of railways, telegraph, telephones and other public reproductive services representing a total cost of about £340,000,000. In other words, about 80 per cent. of the public debt (exclusive of war loans) is represented by actual revenue-producing assets. This is a most important fact, never to be lost sight of in any consideration of Australian finance, and one which, as far as outside creditors are concerned, places Australia's public security on a more favourable basis than that of most other countries. The tendency of recent years has been to extend the functions of government into the industrial arena, but most of the State undertakings have proved unprofitable. It should be the duty of those who administer public affairs so to readjust the expenditure on these government enterprises that, at the very least, they shall pay their way and cease to be a burden on the taxpayer.



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The financing of the War has created the extraordinary delusion that there is some unseen reservoir of wealth from which the whole Community may satisfy its wants with a minimum of effort, and the idea has been sedulously cultivated by some of our political leaders that, in some mysterious way, the "capitalistic system" is responsible for the high cost of living and all the other post-war ills. All sorts of panaceas are advocated, nationalisation, guild socialism, communism and the like. Whatever the particular means may be, the end is always the abolition of the capitalistic system. It seems necessary, therefore, to keep on repeating the most elementary economic truths. The Brussels resolutions emphasise the fact that "the restoration of prosperity is dependent on the increase of production." It is obvious that the community cannot have for its use more wealth than it produces. Production is the source of all wages, interest, replacement of capital, and, of course, of all public and private expenditure. The first step, therefore, towards economic health is greater production, at a remunerative cost. The loss of the productive services of the men killed in the war and of those who are permanently injured and are now a charge upon the community must be made good by better organisation and more effective co-operation. The great primary industries of Australia are the backbone of its prosperity. Yet here, as in other countries, the movement of population in recent years has been steadily towards cities and away from rural occupations. Not until the pendulum swings back again, and people are attracted in large numbers to the country, will the community be relieved of increasingly difficult social and industrial problems. Meantime the production of primary commodities is on a diminishing scale, but the increased prices realised for them have served to conceal the fact. Partly, no doubt, this falling off in primary production is due to drought, which periodically affects Australia. But, on the other hand, the recovery of the pastoral and agricultural industries from drought influences is

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almost phenomenal. For example, the loss of stock and the failure of crops in 1919-20 which were very heavy in some of the States, were followed by the splendid seasons of 1920-21, resulting in a partial recovery of stock losses and a wheat harvest estimated at 146,000,000 bushels. It would not be an exaggeration to say that the increased prices realised by our exports during and since the war have been the financial salvation of Australia. In wool alone the increase has been enormous, as the following figures of Australian wool production indicate :—

Year.	Weight in Lbs.	Gross Value.
1913-14	632,297,000	£22,672,000
1914-15	569,775,000	14,896,000
1915-16	463,750,000	22,187,000
1916-17	547,972,000	33,548,000
1917-18	616,953,000	42,902,000
1918-19	652,097,000	£45,515,000
1919-20	647,052,000	46,138,000

The average value of a bale of wool was :—

£12 15s. 7d. in 1914-15.
£21 12s. 8d. in 1916-17.
£22 15s. 7d. in 1919-20.

For Australian mutton the increased prices realised abroad are even more striking. Weddel's chart of the Smithfield Frozen Meat market shows that in 1900 the price was 3½d., in 1914 it was only 4¾d., in 1916 it had risen to 8¾d., and in 1918 to 1s. 1d. per lb. As against these high prices for our primary products we had to pay largely increased prices for everything we imported. Still, the balance of trade was increasingly in favour of Australia up to the end of June, 1920, as shown in the figures set out in the note.\*

* Year.	Imports.	Exports.	Excess of Exports.
1913	£79,749,000	£78,571,000	£1,178,000
1918-19	102,335,000	113,963,000	11,628,000
1919-20	98,591,000	148,573,000	49,982,000
AAA			689



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The figures for 1918-19 are affected by a large amount of gold sent to Australia from India and elsewhere for minting, and returned in the form of sovereigns. After eliminating all specie and bullion figures the excess of merchandise exports over imports is £9,500,000 for 1918-19 and £44,600,000 for 1919-20. After June, 1920, the position was seriously changed. British and American manufacturers found the European and South American markets closed to them owing to adverse exchanges, and they rushed all outstanding orders in Australia. The imports for the six months ended December 31, 1920, rose to £87,691,000, while the exports were only £61,461,000, leaving an adverse balance of £26,230,000. In addition to this balance there were what are known as "invisible imports" (such as interest, freight, and the like) to be paid for abroad. The result was that the available funds held in London by most of the Australian banks became exhausted. The banks were thereupon forced to restrict oversea credits, and this action led to importers being compelled to realise on their stocks and to reduce prices. These conditions must continue at all events until Australian wool, wheat and other exports are sold and the payments received in London. But it is to be hoped that even after the London situation has become easier, the banks will continue to exercise prudent restrictions on the issue of credits for purchases abroad.

With all the added wealth which came from the increased values of its products, Australia might easily have covered a much larger proportion of its war expenditure out of revenue and less out of loans than was actually the case. One effect, perhaps, would have been to make thrift much more general than it has become. Neither in public nor private life is it recognised as it should be that saving—that is, wisely controlled spending—is essential to financial restoration.

We have seen that Australia gained by the increased prices for its primary products sold abroad, and that this

## The Financial Position in Australia

higher return disguised the lessened production. It is estimated that the value of our total production in 1911 was £188,595,000, in 1913 £218,103,000, and in 1918 £298,669,000, but that after eliminating the effect due to rising prices, "productive activity" in 1918 was only about three-fourths of what it was in 1913. With the fall in prices, which has already begun, Australia will feel the effects of such a reduction in its productive activity. It will become almost impossible to continue the present rate of public and private expenditure. Taxation, both Federal and State, has increased to an extent never before thought possible, and although it may still be less per head than in most older countries, it is heavy enough for a country needing extensive development, and which in future must depend mainly upon its own financial resources.

Since the war the Federal Parliament has imposed additional direct taxation amounting to five millions in 1915-16, and to nearly nineteen millions in 1919-20. The additional income tax alone yielded about thirteen millions. The States also have increased their income taxes and other forms of direct taxation. Falling prices for Australian products abroad will result in diminished incomes, even allowing for a fall in the cost of goods imported, and consequently the incomes of Governments will likewise be reduced. There is no evidence yet that either Commonwealth or State Governments have begun seriously to face the position. For the financial year ended June 30, 1920, three State Governments showed slight surpluses, while New South Wales, Western Australia and Tasmania revealed deficits amounting altogether to over two million pounds. Then again the question of sinking funds to redeem unproductive Federal and State debts awaits solution, and as these can only be set up out of actual surpluses, they provide a further reason for observing the greatest economy. Besides this obligation to redeem, Australia has to face an increasingly heavy interest bill on all renewals of public and private loans. In 1921 and the



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four following years, there are State loans amounting to over £162,000,000 falling due which will certainly not be renewed at anything like the original low rates of interest. On all grounds, therefore, it becomes of supreme importance to Australia that the principle of Government and private restrictions of expenditure, laid down in the resolutions above mentioned, shall be literally obeyed.

It is only out of real savings that taxation can be paid, production increased, and the burden of debt gradually got rid of. And people who are practising economy in their private expenditure ought surely to insist upon similar economy in their public affairs.

That a large section of the public do actually save, notwithstanding the high cost of living and the far too numerous strikes, is shown by the fact that the interest-bearing deposits in Australia trading and saving banks rose from £177,219,000 (or £36 per head of population) in 1914, to £268,457,000 (or £50 11s. per head) in 1920. Within the same period, however, the index number of wholesale prices increased by nearly 120 per cent. It would thus appear that the effective savings of the people measured by the present purchasing power of money were much less than the deposits indicate, although the position will improve when prices fall.

Unlike France and Belgium in particular, Australia has not had to make good the material wastage of war, and the consequential deterioration of fixed capital. To that extent, therefore, its task is easier than theirs. And the inflation of currency which has been so pronounced in many other countries has not occurred to any appreciable extent in Australia. Indeed, whatever tendency there may have been towards such currency inflation will now be checked by the recent legislation which has handed over the issue of notes to the Commonwealth Bank acting under the authority of a special non-political board of directors, who will control this department. The Note Act required a gold coin reserve of not less than one-fourth of the amount

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of notes issued, but the reserve actually held is always much higher.\*

Before the war the total note circulation in Australia was roughly about nine millions, of which the banks held half and the public half. On December 23, 1920—the highest shopping period of the year—the public held over twenty-eight millions, and on January 31, 1921, over twenty-four millions. This increased note circulation was mainly due to the withdrawal of gold from circulation after war began, and from increased wages (which are always paid in currency) and the increased cost of commodities. So that while it is true that inflation of paper currency results in high prices, the increased note issue in Australia is really an effect of high prices and wages, and not their cause. As a matter of fact the note currency plays a very small part in the credit system of the Commonwealth. In Australia as elsewhere the downward reaction in prices has been steadily proceeding since July 1920. It has been unaccompanied, so far, by any decrease in wages. The basic wage in New South Wales was increased from £3 17s. to £4 5s. on October 8, 1920. As the inflation of credit and the general extravagance were, undoubtedly, largely responsible for the increases in prices, so the curtailment of credit and saner spending on the part of the public will tend to reduce prices to their normal level.

Reviewing the Australian financial situation in the light of the principles laid down by the Brussels Conference, the conclusions indicated by the foregoing investigation are, on the whole, not unfavourable. The situation undoubtedly demands the most careful handling by all our public administrative bodies, banks and other financial

*	Date.	Notes issued.	Percentage of Gold Held.
	June, 1917	£47,201,564	32·29
	„ 1918	52,535,959	33·61
	„ 1919	55,567,423	43·68
	„ 1920	56,949,030	41·54
	Jany. 1921	59,058,454	38·86



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institutions. Mistakes are more difficult to rectify now than they were before. And responsible public men who either through ignorance, party prejudices or sheer indifference beguile the people with false economic doctrines, will be guilty of a crime against the future of Australia which a disillusioned public will find it difficult to forgive. Indeed, the circumstances demand that every intelligent citizen shall do his part "to realise the essential facts of the situation as a preliminary to those social reforms which the world demands."

Australia. April, 1921.

## SOUTH AFRICA

### I. THE GENERAL ELECTION

THE last number of THE ROUND TABLE made the bare announcement that the General Election in February last had given General Smuts and the enlarged South African Party a good majority in the House of Assembly. This majority consists of 22 seats over all other parties, and the Senate elections which followed have given the South African Party 17 seats in the second chamber, the Nationalists 13 and Labour 2. The South African Party majority has, moreover, naturally been swelled by the addition of most of the 8 members who under the Constitution are nominated by the Government.\*

The General Election was the culminating event in a development of South African politics which had been growing ever since Union—namely, the fusion of the two post-Boer-war and pre-union racial parties, minus the extremists, into one party in defence of the Act of Union. Many prominent South African statesmen had worked for such a fusion when General Botha formed his first Union ministry in 1910. But it was not until the ever-growing

\* Under the Act of Union a Senate was set up for ten years only, after which period, unless in the meantime Parliament made other arrangements, the Senate became dissolved and another had to be elected on the same basis as the previous one. This basis is equal provincial representation, eight Senators from each province with eight more nominated by the Government. The electorate in each province is formed of the members of Parliament and Provincial Councillors from each province sitting jointly, and voting by proportional representation. The question of reconstruction of the Senate has been under consideration, but the subject must be reserved for another number.



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strength of the Nationalists made it impossible for the South African Party to form a Government of itself that fusion between that party and the Unionists became inevitable. It would, no doubt, have come about sooner had it not been for the war. General Botha was able to govern for the five years after the General Election of 1915, though in a minority, by means of the support of the Unionists, who had been returned pledged to give it to him. But the war being over, no such support would be expected by General Smuts, and the active co-operation of the Unionists could no longer be relied upon unless they shared in the responsibility of government. The two parties amalgamated and appealed to the country in February to give a decisive verdict in favour of remaining faithful to the 1910 constitution.

The issue of the election was secession ; but more was involved than the simple question whether such a step should or should not be taken. For even if South Africa should never sever her connection with the British Empire, the consequences of continually raising such an issue were sure to be attended with the most serious consequences for the internal welfare of the country. In the country districts, it is true, the gravest discussion centred on the advantages and disadvantages of the British connection. In the towns, however, the demerits of secession were very generally taken for granted, and when they were discussed it was on the internal aspect rather than on the external effects that emphasis was laid. For if the foundations of the country's political fabric were continually to be dug up stable conditions would become impossible, and if the settlement embodied in the Act of Union is to be fought over at every General Election South Africa will become a country hardly worth living in. The danger lies not in the possibility of a Government being returned which may attempt to put secession into actual operation, for such a contingency is unlikely, but in the claim of the Nationalists that they shall be allowed to carry on propaganda in favour of departing from the Act of Union, representing as that

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Act does a settlement of the conflicting political aspirations of the two white races, based on South Africa continuing to be a member of the British Empire. This was one of the main points on which the attempt to form a fusion between the South African Party and the Nationalists broke down at the Hereeniging Conference at Bloemfontein in September, 1920.\*

The secession issue is settled, humanly speaking, by the election for a few years at least. The election was fought on that issue, and that issue only. The Nationalists raised it, and though their leader attempted at the last moment to shift his forces to the economic battle-ground, he did so too late. General Smuts had already engaged him, and he was compelled to fight where he stood. In the ensuing struggle it was the third party, Labour, which suffered most severely. Labour, indeed, during the election campaign, insisted that the real object of the election was not the settling of the secession issue but the destruction of the Labour phalanx in Parliament. They argued that Labour members could be relied upon to vote against the Nationalists on the issues of secession and upsetting the Act of Union. Like General Hertzog, too, they tried to divert the election from the constitutional to the economic and industrial issues. But their arguments were of no avail. The electors, to whom they appealed, realised that the Government, if it is to be effective, must be able to rely upon a majority on other questions than the constitutional one. It may be frankly admitted that in the eyes of an electorate which is predominantly Conservative the reduction of the strength of Labour is an additional advantage. But the broad fact remains that the Labour losses were the price that had to be paid for the defeat of secession. True, the landslide of large blocks of the old South African Party into the Nationalist camp which was talked of, if ever Smuts had dealings with the Unionist Samaritans, did not take

\* See ROUND TABLE, No. 41, p. 198.



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place. But that was not enough. The balance lay mainly with the English-speaking electors of the towns. Hundreds of them who would normally have voted Labour, voted for Smuts. The Nationalists now know that great numbers of urban electors, in spite of the hard times which were already upon them before the election campaign was well begun, at present regard the political issue more gravely than the economic. The big turnover of votes which left Labour with 10 seats instead of 21, and their leader, Colonel Cresswell, without a seat, is not without precedent in South Africa. It may be traced to the existence of a considerable body of voters in the towns, a moderate working-class vote in the broadest sense, who really belong to no particular party, but who record their votes on the merits at issue at the time the election is held. In 1915 the issue was the war, and the Unionist Party garnered these votes. In 1920 the rise in the cost of living and the Government's inactivity in regard to it was uppermost in their minds, and accordingly they voted Labour just as in 1921 a realisation of the necessity of upholding the Constitution impelled them to vote for General Smuts.

The mass of the English-speaking voters on this last occasion saw two things, and two things only. The British connection was threatened. It was not merely that the United Kingdom is South Africa's greatest market, the main source of her borrowed money, the paymaster of the Fleet, the power which since the Anglo-Boer war has given her no cause to desire to cut the painter. It was rather, as General Smuts has put it, that—

the British connection is not a matter of debate or a matter of speculation in South Africa. It is one of the most fundamental articles in the most important document we have signed in this country. . . . If this article disappears from the Constitution the whole contract is broken. . . . The whole Union breaks up.

The Nationalists deny that this is so. The bulk of the electors, however, are not prepared to take any risks in so

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vital a matter. They know that to depart from the Act of Union by seceding from the British Empire would also probably mean an outbreak of civil war, the collapse of the credit of the country and grave unrest among the natives, who have always regarded the British connection as of special value to themselves. Other things apart, it was hardly worth while running the risk of such disasters for the sake of speculations as to the precise amount of freedom enjoyed at the present moment by South Africa.

The English-speaking voter, however, saw another fact, a much more human fact. "The Dutch people," said General Smuts, "have remained staunch and true, and have been maligned and misunderstood by their own people, and suffered in their souls for their reliance and staunchness." It is hard to convey to people who do not know South Africa intimately the fact that the real quarrel is not between so-called English and Dutch, but between Nationalist and South African Party Afrikaner. Towns-men have gradually gained a fuller knowledge of what South African Party "Dutchmen" have had to endure in some of the country districts for their loyalty to the Constitution and to their fellow citizens. That knowledge weighed with many at the elections. They felt that if they did not hold out their hands to these Dutch burghers, the thing was finished and all these men's sacrifices would have been in vain. To-day an ex-irreconcilable, the son of President Reitz of the Free State, rejected by the electors of the capital of his native Province, sits as unopposed member for Port Elizabeth, the landing-place of the 1820 settlers, a city whose past record cannot be pronounced guiltless of that political aberration which men call Jingoism.

While the Nationalists remain as strong numerically as ever in Parliament,\* the verdict of the country cannot be

*\* The growth of Nationalism seems, at all events, to have been checked. Its past record is as follows: In 1915 it won 26 seats and polled approximately 78,000 votes; in 1920 it won 44 seats and polled approximately 101,000 votes; in 1921 it won 45 seats and polled approximately 105,000 votes.*



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said to be absolutely final in itself on the question of secession. Still the effect ought to be final because it enables General Smuts to form a strong Government which should have a five years' life in front of it, during which time he will have the chance of administering the country and pushing on with his policy of industrial development in such a way as to make the secession issue a back number before the next election comes.

### II. CONSEQUENCES OF THE ELECTIONS

AS a result of the elections South Africa now has a sense of political stability such as she has not known since 1914. The Nationalists themselves feel it. It is an open secret that many of the Nationalist rank and file, especially in the Cape, are relieved that there is no immediate prospect of their being called upon to translate their secession principles into practice. The standpoint of the ardent Republicans in the Free State and the Transvaal is intelligible enough. They remember the old republican days, and they resent the passing of them, and especially the manner of their passing. They have been unable to follow General Smuts's line of thought when he wrote, as long ago as 1906, to the late Lord de Villiers \* :—

We who love South Africa as a whole, who have our ideal of her, who wish to substitute the idea of a United South Africa for the lost independence, who see in a broader horizon, in a wider and more embracing statesmanship, the cure for many of our ills and the only escape from the dreary pettiness and bickerings of the past—we are prepared to sacrifice much, not to Natal or the Cape, but to South Africa. . . . Our strength does not lie in isolation but in union.

General Hertzog, on the other hand, would even now accept the restoration of the two Republics in which "Englishmen" who objected to the change would retain

\* Vide *Cape Times*, February 8, 1921.

## Consequences of the Elections

their British citizenship, pay republican taxes and look for the safeguarding of their interests to a British Resident, standing, in short, "exactly in the same position as before the Boer War." Many Nationalists, however, certainly do not subscribe to that doctrine. In the Cape, at least, many of the more far-sighted resent the line taken by their leaders. They feel that their position as Nationalists, as guardians of a small people with its own traditions and a developing culture, is weakened by its identification with Republicanism and Secession. They would prefer a republic to any other form of government, but they see plainly that it is not practical politics now. General Hertzog himself has recently given one more proof of the fact that he has been driven unwillingly along the road to secession by pressure of his friends from the North by announcing publicly that the Nationalist party has more important work to do than winning political victories. For the rest, he takes a grim satisfaction in the fact that it is not his party which has to guide the State through the straitened times ahead.

The sense of political stability is increased by the fact that the Ministry now depends upon the support of large sections of both the white peoples of South Africa. It is in no danger of lapsing into racialism. Again, it has, as already shown, backing in both Houses strong enough to enable it to carry out its policy. Opinions may legitimately differ as to the desirability of the present Government and its policy. Most people admit that South Africa needs a firm Government with a definite policy.

The Nationalist and Labour Opposition parties are strong enough to discharge their duties as criticising forces; they are not strong enough to hold the life of the Government in their hands day in and day out.



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### III. RHODESIA AND THE ELECTIONS IN THE UNION

IT is not possible to judge at present whether this new-found political stability will hasten the handing over of the Native Protectorates to the Union, a contingency fully provided for in the South Africa Act of 1909. Nor is it possible yet to ascertain how native and coloured opinion in the Union and on its borders regards the new development. It is, however, possible to indicate some of the results which are already appearing in Southern Rhodesia. Public opinion in that territory has steadily become more definite on the question of union with South Africa. Southern Rhodesia declined political union at the time of the National Convention in 1908-9; she voted for a continuation of Chartered Company rule in 1914 as the only alternative to Union; the indecisive results of the Union election and the growth of the Nationalist party in 1920 ruined the chances of the pro-Union party at the Rhodesian elections which immediately followed it. Southern Rhodesia understands by "Republic" the old South African Republic of Kruger's régime, and she will have none of it. During the long-drawn-out discussion over the land and administrative deficits from 1914-21, Rhodesian opinion has been steadily turning in favour of responsible government. This is not the time or place to enter into the details of the progress of this movement. That may be more conveniently done on a future occasion. It is sufficient to say that the present Colonial Secretary has appointed a committee, under the sympathetic and well-informed chairmanship of Lord Buxton, which is enquiring when, by what procedure, and with what limitations, presumably as regards the natives and Crown lands, responsible government may be established.

This committee is also considering certain questions raised by the settlers in Northern Rhodesia, who differ

## Rhodesia and the Elections in the Union

from the B.S.A. Company on matters of taxation and on the appointment of a joint Administrator for Northern and Southern Rhodesia. Meanwhile, signs are not wanting that politicians in Southern Rhodesia, who viewed the Company's proposals in 1917 to amalgamate the two territories with deep suspicion, because they saw in it a scheme whereby all hope of responsible government for themselves would be swamped by a flood of natives from "the Black North," are more favourably inclined to amalgamation with part of Northern Rhodesia. To-day the suggestion—and, as far as can be judged, it is nothing more than a suggestion—is that the high country, the "hog's-back," on which the railway runs from Livingstone to Broken Hill, and on which the great majority of the Europeans are settled, should be united with Southern Rhodesia. The great Barotse Reserve to the west would thus be excluded, and the mainly native territories to the north and east would naturally gravitate towards Nyassaland.

This scheme is still nebulous. What is certain in the politics of the territories north of the Union border is that Smuts's victory has revived the hopes of those Rhodesians who, like Rhodes, look for the political inclusion of Southern Rhodesia in South Africa. It has also inclined many responsible government men to view ultimate Union as a matter of practical politics. But it must be union only after the grant of self-government to Southern Rhodesia, with or without the "hog's-back." If there is to be union, they desire time to put their own house in order and then to deal with South Africa on a footing of constitutional equality. No more can be said justifiably on this matter now; but, as illustrating the feeling of political security which Smuts's victory has given to all Southern Africa, this can and ought to be said. Meanwhile, the Nationalist press has already raised the alarm that Smuts means to bring in Rhodesia to "break the back of Afrikanderdom."



## South Africa

### IV. IMPERIAL AND EXTERNAL POLICY

THE political stability achieved at home will enable South Africa to pursue a definite policy overseas. The view taken by her Premier of South Africa's status is well known. It was indeed made abundantly clear in the last number of *THE ROUND TABLE*. Presumably some statement of Government policy will be forthcoming before General Smuts leaves for the meeting of the Imperial Conference in June. It may be safely said, however, that the result of the elections has been to commit South Africa definitely to the policy of "free discussion, conference and consultation among the nations, . . . the written constitution of the League of Nations, and . . . the practice of the unwritten British Constitution."

South Africa has already taken part in the Assembly of the League of Nations. General Smuts and a growing number of South Africans take the League seriously. It was a genuine satisfaction to them that delegates from 42 States met at Geneva and that, at this first meeting "the position of South Africa was unique, as all the small nations gathered round the delegates from South Africa." This honourable position was undoubtedly due in part to the fact that Lord Robert Cecil, passed over by his own Government, had been invited to represent us at Geneva. But it was surely also due in part to the fact that General Smuts was the man who, next to President Wilson, had done most to bring the League into being. Now that his position has been made secure, the Premier will be able to speak with greater effect for South Africa in the councils of the nations.

It may safely be said that, through him, South African influence will be exerted towards the modification of certain terms of the Peace Treaties. General Smuts has been perfectly explicit on that head. Since his famous criticism of the Treaty of Versailles issued immediately

## The New Cabinet

after its signature, he has twice elaborated his ideas publicly ; once at a meeting in Johannesburg in February, 1921, and once in a valedictory message to President Wilson. "Peace," he said, "came to the Conference of Paris, and many ideals got lost there." President Wilson plunged into the Conference—

that inferno of human passions, like a second Heracles, to bring back the fair Alcestis of the world's desire. . . . It was not Alcestis ; it was a haggard, unlovely woman with features distorted with hatred, greed and selfishness, and the little child she carried was scarcely noted. Yet it was for the saving of the child that Wilson had laboured until he was a physical wreck. . . . Knowing the Peace Conference as I knew it from within, I feel convinced in my own mind that not the greatest man born of woman in the history of the race could have saved that situation. . . . What was really saved at Paris was the child—the Covenant of the League of Nations. . . . The Covenant is one of the great creative documents of human history. The Peace Treaty will fade into merciful oblivion . . . but the Covenant will stand as sure as fate.

Given enough of the right spirit—and that depends upon the men and women who make up the mass of the nations—the League will gather strength. South Africa is beginning to see that she can best face the problems of foreign policy, with their inevitable reaction upon domestic policy, within the British Commonwealth, which is itself within the League of Nations. As Smuts wrote of the four South African colonies in 1906, "Our strength does not lie in isolation, but in union." That, in a sentence, is the lesson of the general election.

### V. THE NEW CABINET

THE elections took place on February 8. Parliament assembled on March 11. Much speculation took place during the intervening weeks as to how the amalgamation of the late Unionist party with the South African party would be reflected in the Cabinet. The Cabinet



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which actually met Parliament contained six of the Ministers who had carried on during the war period, three ex-Unionists and one newly elected member. General Smuts, as Premier, retained the portfolio of Native Affairs. Mr. Malan, as Minister for Mines and Industries, has also "undertaken to assist the Premier with the details of administration." Mr. Burton retains Finance, and Mr. de Wet Justice. Colonel Mentz continues to be responsible for Defence, and Sir Thomas Watt for Posts, Telegraphs and Public Works. Of the new Ministers, Sir Thomas Smartt, ex-leader of the Unionists, is Minister for Agriculture; Mr. Jagger for Railways and Harbours, and Mr. Duncan for the Interior, Public Health and Education. Colonel Reitz goes to the Ministerial benches as Minister for Lands.

The Cabinet is regarded as a strong one. It is conservative in tone, necessarily so in a country like South Africa, which, in face of its large native population, cannot embark upon social and economic experiments which have not been proved workable in countries which are faced with simpler conditions. Its administrative capacity is of a high order, and, as the Premier has already announced, the country must look to it for the steady administration of existing laws rather than the provision of new laws. On the other hand, its capacity will soon be tested. It has many problems to deal with, and it may have internal troubles which will add to its difficulties in dealing with them. It consists of men whose traditions and policies have at times differed profoundly. These men have gradually come closer together, as indeed have the sections of the electorate which have returned them to power. General Smuts has well said that "the English as well as the Dutch long to be South Africans first and foremost and to live together as one people." So far, so good; but there are still gaps to be bridged over. Tradition must count for much in deciding questions of Imperial obligation, naval policy and immigration. Again, the old South

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African party was predominantly a Dutch-speaking country party, the Unionist an English-speaking town party. They differed therefore on questions of taxation and railway policy. The Unionists, too, were heirs to the liberal Imperial policy towards the natives, though this claim must be modified by the mention of the fact that many of the older Cape politicians, whose native policy was most liberal, were in no sense Unionists, or, as they used to be called, Progressives. It is easy to exaggerate these differences. The most homogeneous Cabinets in the long history of parliamentary government have had a right and a left wing. Again, the coincidence of the racial dividing line with the boundary between Town and Country has become steadily less in recent years. More and more Dutch-speaking people have come into the towns, while, better still, more and more English-speaking citizens have gone out into the country. Of the new ex-Unionist Ministers, Sir Thomas Smartt is first and foremost a farmer, while Mr. Jagger includes farming among his many activities. Conversely, Colonel Reitz, like the Premier, is a farmer-lawyer who sits for a large urban constituency.

### VI. INTERNAL POLICY

THE Governor-General, in his speech at the opening of Parliament, insisted that the main business of the session is to be finance. After all, government is largely a matter of pounds, shillings and pence, while finance is the breath of life to Parliament. The financial and economic situation is serious. True, South Africa is better off in this respect than most other countries. She has a fair supply of cheap labour, great natural resources, a good position on the world's trade routes, and the control of a great part of the world's gold supply. Nor has she suffered materially from the war in any marked degree. On the other hand, her revenues have fallen off seriously, especially



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the proceeds of customs, gold and diamonds, on which she largely depends to make both ends meet. The collapse of the European market has damaged her growing export trade, while the hasty and wholesale importation of post-war manufactures has hit her nascent industries hard and overstocked her shops, which now find the banks more chary of giving credit than in the past. The gold premium has fallen, some of the poorer mines have already closed down, and many others are in difficulties. The demand for diamonds has fallen off heavily and, in spite of a partial recovery, the one-time staple trade in ostrich feathers is still but a shadow of its former self. The selling price of wine, maize, cattle and agricultural produce generally has dropped, and the world's wool market is so dead that, after failing to dispose of the clip in Germany, recourse has had to be made to the Imperial Government, which is to purchase 100,000 bales of the 1919 clip at 1913-14 prices. Those prices are from 15 to 20 per cent. above the present world price, a sad fall from the wool-farmer's halcyon days of the war period. As a consequence of this depression, the Poor White problem is more serious than ever, and a commission is already investigating the question of unemployment. The one bright spot upon this sombre background is the fact that prices are falling.

In view of the fall in prices, the Governor-General's speech foreshadowed a possible modification of the emergency measures passed in 1920 to check the rise in rents, profiteering and speculation in foodstuffs. Cynics may say that this is the firstfruits of the Labour *débâcle* at the elections. However that may be, the case for these measures is by no means so strong as it was a year ago. As regards finance, the main measure proposed was a Bill to continue the existing relations of the Provinces with the Union Treasury for another year, with modifications which will be discussed in a moment. Railway extension was promised, mainly as one means of coping with the growing unemployment, but it is plain that much extension work

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and electrification, in themselves desirable and necessary, cannot be undertaken at present. In common with the rest of the world, South Africa is faced with a dearth of capital and ruinous prices for many of the necessary materials. Safeguards were promised to some of our industries in view of the abnormal conditions abroad, and, finally, the public was warned that it must expect heavier taxation.

The Minister for Finance has not yet introduced the Budget, but it is already known that, though the revenue for 1920-21 has exceeded the estimate, expenditure has risen still more rapidly. A deficit has to be faced, besides demands for additional expenditure, the main items in which are £400,000 due to the recommendations of the Public Service Commission, the higher rate of interest now payable on Treasury bills, and the ever-growing requests of the provincial executives for subsidies. In view of the fall in prices and the financial stringency, the Government has decided to reduce the war bonus by 25 per cent. At the time of writing a storm is raging in the Civil Service and the Railways and Harbour Services, both of which are affected by this reduction.

The financial condition of the railways also gives cause for anxiety. Under the Act of Union the 11,000 miles of line controlled by the Government are financed separately from other branches of the administration. Railways and harbours have to be run on business principles, and not, as in the past history of the South African colonies, as sources of revenue to the State and prolific sources of quarrel between states. The past year's working has resulted in a deficit of £591,000, making a total accumulated deficit for the period 1916-21 of £2,138,000. Passenger fares and goods rates have been raised to the limit of payability, and yet the railways are not paying the full interest on capital expenditure already incurred. The coal-owners of Natal and the Transvaal allege that their export trade has been strangled by the high railway rates, and that



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shipping has been driven off the Cape route in consequence. Since the coal strike has come to a head in Great Britain, however, rates for export and bunker coal have been reduced drastically in the hope that the revival of export trade will make up any loss due to the reduction. The congestion on the Natal line to Durban still remains to be overcome.

The main debates in the House of Assembly hitherto have been upon the burning question of the financial relations of the Provinces with the Union. This question really goes back to the struggle which raged in the National Convention (and very nearly wrecked it) round the choice between Federation and Union. It even strikes further back to the traditional reliance of all the Provinces, other than the Cape, on the central state or colonial Governments for the financing of local schemes.

Under the South Africa Act of 1909, the Provincial Councils, which succeeded to some of the functions of the old Colonial Parliaments, were entrusted with powers of direct taxation, and of borrowing within limits for purely provincial purposes. Acts of 1913 and 1917 provided for the grant of Union subsidies on the £1 for £1 basis. This basis was also extended to expenditure in excess of that for the preceding year up to a 5 per cent. increase for general purposes and a 15 per cent. increase for education. The Union undertook to find only one-third of any expenditure over and above those limits. Special subsidies were also promised in the case of certain Provinces.

It is this arrangement which is now being extended for a further year, subject to certain modifications. No subsidy is to be paid in consideration of expenditure in excess of that for 1920 other than one-half of a 5 per cent. increase for education. No Provincial Council is to levy direct taxes upon the mines; nor is it to tax natives as such. Direct taxes must fall equally upon white, coloured and black. This is a sound application of the principle, which is abundantly clear in all the discussions of the

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National Convention, that the natives are the concern of the Union and not of the Provincial Governments.

The reasons for these limitations became more clear as the debates proceeded. Provincial expenditure has inevitably risen as the activities of the Provincial authorities have widened. But the demands made upon the Union Exchequer have risen unduly. The total Provincial expenditure, according to the estimates for 1921-22, has risen by 192 per cent. since 1913-14. The Union subsidy has risen by 146 per cent., excluding the special grant to Natal. In 1913 the Provinces raised £424,000 by direct taxation ; in 1919-20 they raised £1,265,000, but of this sum £391,000 was due to the Transvaal tax on gold-mining profits, a tax which at the time was regarded as a trespass on the Union's financial preserves. During the same period the Union subsidies increased by £1,462,000.

Faced with the necessity of cutting down its own expenditure and of levying additional taxation, the Union is determined to check the calls which have been made so readily upon its purse. One concession has been made. The Transvaal Council is to draw the proceeds of the gold tax until March 31, 1922. Thereafter there is to be no question that mines of all kinds are to be regarded as national assets from the taxing point of view.

The Bill inevitably roused great opposition. The cry was raised, notably by Free State and Natal members, that education would be starved. The retort obvious was made with refreshing bluntness by no fewer than three Ministers. The reliance of Natal, the protagonist of Federalism, upon Union subsidies, sorts ill with her political aspirations. In 1919, for instance, the money she drew from Union sources was out of all proportion to the amount she raised locally. As to the Free State, her Provincial Council, like its predecessor, the Volksraad, has always hesitated to tax her burghers. The plea that education will be starved has been met by the special provision of one-half of a 5 per cent. increase on last year's expenditure thereon. For the



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rest, if Provincial Councils feel that certain services are in danger of starvation, the remedy is in their own hands. The duty and power of local taxation are the only basis of real local government.

Many of the opponents of the Bill held that the Government was aiming at the destruction of the Provincial Councils. These bodies have been much criticised since their inception. A commission held in 1916, on which two of the new Ministers played a leading part, even recommended their abolition ; the transfer of all education, the sheet-anchor of the provincial system, to the central Government ; and the partition of the Union into large divisions under Councils with extensive powers. The present Government declares, however, that it intends to maintain the provincial system. The present Bill is merely a temporary measure to be passed pending a more satisfactory settlement of the financial relations of the Union with the Provinces. If it be urged that the Bill is an insidious means of discovering unsuspected weaknesses in the provincial system, the only possible answer is that the sooner these weaknesses are revealed the better. The second reading was passed on strictly party lines by 70 to 48, and the Bill has now been sent to the Upper House.

The only other Government measure of first-class importance which has been brought forward up to the present is a Bill designed to remodel and bring into force the Defence Act of 1912. The latter never came into full operation. It was overwhelmed by the sudden outbreak of the war and the rebellion in 1914. A discussion of the new measure must be held over. Meanwhile, it may be noted that the essential point is the raising of a small Permanent Force, for the first time totally distinct from the police. The Minister for Defence has also confided to the House the fact that the Union Government is about to take over the defences of Capetown and Durban. No mention is made of Simonstown. Presumably the naval base will remain in Imperial hands.

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A private motion has, however, already given rise to much discussion, and promises to give rise to more. The proposal is that a Tariff Board be formed, "an impartial body," free from the control of the customs authorities, to guide the Government in the intricate task of fixing a scientific tariff. Many new industries sprang up in South Africa under the undesigned protection afforded by the war. Some have been hard hit by goods off-loaded by Europe and America in the "slump" which followed the delusive prosperity of the post-war period. It remains to be seen how long this abnormal competition will last. South African industry has much in its favour—cheap coal, cheap labour, many natural resources, fair internal communications, a fine position on the world's southern trade-routes, a natural protection afforded by her distance from the older manufacturing countries. She will soon be supplying her own iron and steel. She has the prospect, finally, of political stability. Her customs tariff to-day is nominally for revenue purposes, yet it ranges from 15 to 25 per cent. *ad valorem*. It remains to be seen how many of her new industries deserve to live, with all these advantages, and how many can only be kept alive by artificial respiration supplied at public expense. A Committee appointed to enquire into the condition of the South African boot industry has recently recommended that the duty be raised from 20 to 40 per cent. The Government has now promised to consider the appointment of an advisory Tariff Board to study the tariff problem and the best means of developing South African industries. The question of the *personnel* of a Board with such duties is all-important. Its work will be watched by the consuming public with much interest and some anxiety.

South Africa. April, 1921.



## NEW ZEALAND

### I. INTRODUCTORY

THE period which this article covers has not been eventful. It is the holiday season of the Southern Hemisphere, in which the festivities associated with Christmas and New Year, themselves intensified, though altered in character, as the result of their occurrence at mid-summer, merely introduce the holiday spirit that prevails in the Old World in July and August. During the greater part of it politics have been at a discount, and even Labour has not been generally inclined to spoil its summer enjoyments by giving too free play to its prevailing restlessness. Still, though there have been no striking events to form the basis of this article, there has been a gradual ripening of the situation of the country in more respects than one. In particular, the position in trade and finance has become more interesting and important, and thereby deserving of description and understanding. The financial problem is undoubtedly the dominant one at the present time, and the most urgent withal.

### II. THE FINANCIAL STATEMENT

THE financial statement delivered some months ago was in itself satisfactory enough. Ignoring the possibilities of the future, our finances appeared to be sound. There was obvious need, as elsewhere, of energy in production and economy in expenditure; but only in

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the event of a substantial fall in the prices of our products leading to a serious decline in our revenue, did there appear to be any cause for serious anxiety. Our revenue for the year ending March 31st last was 26 millions and our expenditure not quite 24 millions. For the year 1920-21 the estimated revenue is nearly 28 millions, and the estimated expenditure not quite 27 millions. These sums are vastly in excess of pre-war days' estimates, for in 1913 the revenue was £11,734,271, and the expenditure £11,082,038. The increase of taxation is another measure of the burden that the war has laid on the country. Our taxation per head has increased from £5 10s. in 1914 to £14 2s. 6d. in 1920. For 1921 it is estimated to be £15 7s. 6d. But it is clear that, for the present, taxation cannot be reduced. Mr. Massey seems to entertain no real hope, although he expresses the desire of effecting such reduction in the near future. Moreover, borrowing on a large scale is to continue. During the financial year 15 millions are to be borrowed for various purposes, including discharged soldiers' settlement, public works and housing. In addition 10 millions are required for the conversion of loans falling due.

A wide policy of development was outlined by the Prime Minister, involving agricultural development and instruction, including forestry, a certain amount of railway development, and the promotion of immigration.

### III. TRADE

SINCE the Financial Statement was presented to Parliament a serious change has taken place in the trade position of the country. During the war, and especially during the later period of the war, exports from New Zealand were encouraged. The Imperial Government had need of them and purchased them very extensively on the Imperial requisition system. Shipping was used, as



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it became available, to carry the goods to England. Imports, on the other hand, were not so well provided for. Many lines could only be obtained in small quantities, or were not obtainable at all. Even when the war was over this condition of things continued. The demand for the products of New Zealand at still higher prices increased, while the manufacturers in England, on the other hand, were so busy supplying their own local and other markets that they could not possibly meet the requirements of New Zealand. One result was a very favourable trade balance; and in London funds amounting to many millions stood to the credit of the banks operating in New Zealand.

During the second quarter of 1920 a change set in, and imports began greatly to exceed exports. This position has since then been accentuated, as exemplified by the following figures :—

Quarter.	Exports.		Imports.		Excess of Imports.
	£		£		£
First .. ..	11,418,788		9,791,061		—1,627,727
Second .. ..	11,406,084		14,407,613		+3,001,529
Third .. ..	12,360,695		18,980,970		+6,620,275
Fourth .. ..	11,256,379		18,416,184		+7,159,805
Totals .. ..	46,441,946		61,595,828		15,153,882

Thus, in spite of the favourable first quarter, the result of the year's trade is an adverse balance of over 15 millions. As many payments due in London and "invisible" imports had to be added to this, it will readily be seen that the credit balance in London was quickly wiped out. When imports were hard to obtain and manufacturers were supplying portions only of their orders, firms had ordered more than they really wanted, hoping in this way to secure as much as they needed. They were often urged to do so, it is said, by representatives of the manufacturers. Suddenly manufacturers began to supply, not only the whole order, but orders that were in arrears, so that firms began

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to receive orders that had accumulated for years. The banks began to find it difficult to finance the largely increasing imports. Pressure was put by the banks upon importing firms to force them to cut down their imports as much as possible. Orders have consequently been countermanded as far as practicable. But in the meantime large stocks were already afloat or had arrived. Manufacturers have in many cases agreed to accept the countermanding of orders, except, of course, where the orders involved special work which had already been begun. But not always. One case is known to the writer in which the manufacturer actually acknowledged the countermanding of an order of stock goods, but sent the goods, and although it had been his practice, and was one of the conditions of this particular order, to draw at 90 days, he drew at sight. The result of the whole situation has been a necessity to realise stocks and a reduction of the retail prices in many lines of manufactured goods.

These conditions are not, of course, peculiar to New Zealand; Australia, and possibly other countries are equally involved. It is well that the position should be clearly understood. The sudden contraction of the demand from these countries has, no doubt, added to the embarrassment of the British manufacturer; and an official of the British Federation of Industries has complained that the present difficulty does not encourage British manufacturers to try to trade with Australia. But neither New Zealand nor Australia can pay for more than a certain value of imports, nor would they normally have ordered more than could be paid for. The present difficulty is but another after-war effect. It may reasonably be hoped that the realisation of this season's produce will contribute towards an improvement of the situation. The position has not been assisted by the absence of any New Zealand loan on the London market. One of the effects of the present policy of the Government to raise their loans only on the local market must necessarily be to make it more difficult



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to finance what we have come to regard as the normal quantity of imports. So long as this policy obtains, the country must make shift with a smaller quantity of goods from outside.

A graphic illustration of the present glut of goods is afforded by the serious shortage of goods wagons in Canterbury, which is causing acute difficulty on the eve of the seasonal demand for the carriage of grain and other produce. One reason for this shortage is that railway trucks are being used for the storage of imported goods; but the main trouble seems to be the inability of indentors and other importers to make arrangements with the banks.

### IV. CREDIT

IT is not only in respect to imports that the banks have found it necessary to exert pressure. They have also had to take precautions with regard to the overdrafts of their patrons. The immediate explanation of this appears at once when we examine the quarterly returns for the past year :—

	Deposits.	Advances.
	£	£
March .. .. .	50,665,091	32,042,043
June .. .. .	54,598,092	34,789,581
September .. .. .	53,131,692	39,017,808
December .. .. .	49,456,893	47,118,296

In the last quarter alone the surplus of deposits over advances has been reduced from over 14 to less than 2½ millions. This is a complete but more rapid reversal of the position that had previously developed, when an excess of deposits of over 6½ millions in the first quarter of 1919 gradually increased to one of nearly 20 millions in the second quarter of 1920. This is, after all, only another version of the trade position described above. The excess of exports that obtained until lately at first caused a steady accumulation of funds. The great recent excess of imports

## Credit

is responsible for their depletion. The actual fall in the prices of some of the products of the country, and the likelihood of a fall in those of others, adds to the anxiety with which banks view the situation. The result has been a pronounced stringency in the money market. Money has been in demand. Interest rates have risen, and stocks and shares fallen in price. The highest class of share has in many cases had the largest fall, as being the most readily saleable, and was often held on that account so as to be realised when need arose. Yet it has been rightly pointed out that the Dominion is nevertheless financially sound, and, more than that, is as yet actually prosperous. The banks have even been complimented on their action for taking a more or less timely precaution, the neglect of which, some twenty-eight years ago, produced a disastrous financial crisis in Australasia.

It was under these conditions that the discharged soldiers' settlement loan of 6 millions, for twelve years at  $5\frac{1}{2}$  per cent., had to be raised. If the amount was not raised voluntarily, compulsion was to be used. So far the public has not been informed what portion of the loan has been subscribed, though it is certain that the whole has not been, or whether compulsion will be necessary to obtain a sufficient sum. The Prime Minister quite recently has stated that "there is no reason to be dissatisfied with what has taken place. We have now got in all that can be collected voluntarily, and anything additional will be the result of the application of compulsion." Asked whether the unsatisfactory financial conditions obtaining would influence the Government in the matter of applying the compulsory clauses, Mr. Massey is reported to have said that "certain promises had been made to the soldiers, and must be kept; but, so far as he could see, there would be little hardship in connection with this matter, though, of course, there might be some."

Local bodies are severely handicapped by the limitation of the interest which they are allowed by the Government



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to offer for loans. Their activities, like those of the State and of private individuals, were greatly restricted by the war. The need for works of development has increased. Many local bodies would like to obtain money, even at comparatively high rates of interest. If competition were allowed, it would result in a sudden and considerable increase in interest rates, while the money obtained, owing to the dearness and scarcity of materials and labour, would not go nearly so far as it used to do. Consequently the cost of some of the works would in many cases prove a heavy burden on the finances of local bodies. Mr. Massey has determined not to encourage development in any such direction. Recently a deputation from New Plymouth asked him for permission to pay 6 per cent. for money required for the extension of hydro-electric works. It was admitted that the original estimate of £72,000 had had to be raised to nearly £160,000, and the council had failed to raise the money at  $5\frac{1}{2}$  per cent. ; but Mr. Massey replied that the position really was quite simple. There was merely a limited amount of money available for all the works in New Zealand, and there was not enough money, material, or labour to go round ; and that, if one local body were allowed to rush in ahead of the others it would get more than its share of the available money. Since then he has shown that he is willing to treat the State itself in the same way. "With the present stringency in money," he is reported as saying, "there was not much chance of getting loans at  $5\frac{1}{2}$  per cent. ; and as increased interest mean increased taxation, which he did not wish, there would not, for the present, be any extension of public work out of loan money."

# Taxation

## V. TAXATION

**M**R. MASSEY does not desire increased taxation, and there is excellent reason. In six years the indirect taxation of the community has increased by 46 per cent. and the land tax has been doubled, whilst the greatest of the direct taxes, the income tax, yielded last year nearly twelve times the amount collected in the last pre-war year. The position for the last seven years is shown in the following table:—

Year.					Land Tax.					Income Tax.
					£					£
1913-14	..	..	..	..	767,451	..	..	..	..	554,271
1914-15	..	..	..	..	799,644	..	..	..	..	540,318
1915-16	..	..	..	..	1,048,356	..	..	..	..	1,392,119
1916-17	..	..	..	..	713,118	..	..	..	..	4,262,126
1917-18	..	..	..	..	1,385,708	..	..	..	..	5,619,561
1918-19	..	..	..	..	1,512,693	..	..	..	..	6,219,336
1919-1920	..	..	..	..	1,557,903	..	..	..	..	6,369,765

The fall in the amount of land tax in 1916-17, and to a small extent the increase in income tax for that year, was due to making income derived from mortgages of land subject to income tax instead of to land tax.

The evolution of the present system of direct taxation is of some interest. The increases in direct taxation date from 1915. Except in regard to minor details, the system which was in force when the war began had remained unaltered for many years. In 1912, however, Sir James Allen introduced a modification of the graduated tax on land, which was based on the principle of increasing the rate of tax for every £1 of increase in unimproved value, and in the following year he applied the same method to the taxation of incomes. The scale of land taxation in force up to 1915 provided for an ordinary tax of one penny for every £1 of unimproved value, after making certain



## New Zealand

statutory deductions and exemptions. To this was now added the graduated tax ranging from one thirty-second of a penny at £5,000 to five and five-sixths of a penny at £2,000,000. In 1915 the land tax was increased by 50 per cent. In 1916 the present scale of taxation was introduced. The tax on land ranges from 1d. to 7d., the increase being at the rate of one penny for £32,000 of value, so that the maximum is reached at £192,000. These rates are subject to a super-tax of 50 per cent. which makes the actual scale of land tax from  $1\frac{1}{2}$ d. to  $10\frac{1}{2}$ d. A further alteration of these taxes was made by Parliament in its last session, and comes into force on April 1 next. The taxation of land is to be at the rate of 1d. up to £1,000, increasing by 1d. for every £20,000 of value, with an addition to the scale of  $33\frac{1}{3}$  per cent. The result is a reduction of the taxes on the lower values up to £10,000, but on all estates above that value there is an increasing advance upon the present scale of taxation. The minimum rate is to be reduced from  $1\frac{1}{2}$ d. to  $1\frac{1}{3}$ d., but the maximum rate of practically  $10\frac{1}{2}$ d. is to be reached at £138,000, instead of at £192,000. The taxation of an estate of £138,000 will be a little more than double that imposed before the war.

Previous to 1915 incomes of taxpayers other than companies were taxed at from 6d. to 1s. 4d., the latter rate being levied on all incomes above £2,400, but companies were taxed at the rate of 1s. up to £1,200, increasing to the maximum of 1s. 4d. at £2,400. In 1915 the rate of tax on incomes was extended to 2s. reached at £5,600, with an addition of  $33\frac{1}{3}$  per cent., the scale thus being increased to from 8d. to 2s. 8d. in the pound. Income derived from land was also made subject to income tax. In 1916 the experiment was made of taxing "war profits," but was abandoned in the following year, when an additional "special war tax" on incomes was introduced. The effect of this last change has been that income tax ranges from 1s. 3d. in the case of persons and firms, and 2s. 3d. for companies, to a maximum of 7s. 6d. in all cases, the latter

## Taxation

rate being levied on all incomes above £6,700. The effect of the amending legislation of last session is difficult to describe briefly. It is complicated by the introduction for the first time of the principle of the relief of incomes derived by personal exertion, and by a change from the dual system of ordinary and special taxes to a single progressive tax. The principal result, however, is that taxation will be increased on all unearned incomes above £650, while others of £700 or over, receiving only a deduction of 10 per cent. for earned incomes, will pay higher taxes than at present. The new scale begins at 1s. 2½d. instead of 1s. 3d., but it rises to 8s. 9½d. instead of 7s. 6d., the maximum being reached at £7,400 instead of £6,700. An income of £10,000 will be required to pay nearly seven times the amount levied before the war.

The payment of income tax is now nearly due. The prospect is not an easy one for many firms. The contributions to compulsory loans, the land tax recently paid, and now the glut of goods which have to be paid for with the prospect of a falling market, make it none too easy to find the cash or credit that will enable the payment of the large sum that income tax nowadays involves. Requests are numerous that the Government should make some concession in the nature of allowing the tax to be paid in instalments. But the reply from the Prime Minister is that the legislation was definite, and income tax must be paid in one sum not later than the end of February, though he had given instructions to the department to deal as gently as possible with all cases of hardship, and to meet the taxpayers as far as practicable. He holds out the prospect of legislation in a short session of Parliament, which is, however, not to be held until March, after the due date for the payment of income tax. In the meantime, it has been announced, the Commissioner of Taxes is prepared, subject to prior arrangement between the taxpayer and himself, to permit the payment of income tax to be made in the following manner :—



## New Zealand

1. Half the amount of the income tax payable to be paid on due date.

2. The balance to be paid by one bill at three months, or by two bills at three and six months.

To the amount of the tax represented by the bills is to be added 15 per cent. penalty and the bank charges, stamps, etc.; and there is to be included in the bills an amount to cover the discount on the bills at  $6\frac{1}{2}$  per cent. and exchange on bills, payable elsewhere than at Wellington. The bills must be endorsed by the taxpayer's bankers. On payment of the bills at due date the penalty tax will be refunded. This method of payment will be permitted only in those cases where the taxpayer is unable to find the full amount of income tax himself or obtain it from his bankers, and only after arrangement has been made by the taxpayer with the commissioner. The Government will discount the bills in order to bring the revenue into the financial year ending March 31st.

### VI. RETRENCHMENT

WHEN, last October, the Government brought in the Bill providing for a further increase in the maximum scale of taxation, it was surprising that there should have been practically a complete absence of criticism or objection, either in Parliament or in the country. But the changing conditions are now bringing more attention to bear on the allied problems of taxation and retrenchment. A conference of chambers of commerce has asked for an enquiry into the incidence of taxation, and for the exercise of greater economy in national expenditure. Public opinion is being voiced in the Press and by the Press. The *New Zealand Herald* refers to the Administration as having "gambled upon the taxable resources of the community." It adds: "Departmental expenditure is high in this country, and there has been no serious effort to enforce economy any-

## Retrenchment

where. Mr. Massey has, indeed, got the length of writing memoranda enjoining economy, but in British experience this proved a fruitless expedient. The only certain method of economy is to determine the amount to be raised by taxation and compel departments to work to an allocation. Sir James Allen showed in 1919 what a resolute Minister may do by cutting down the departmental estimate of expenditure by £400,000. Mr. Massey must prune even more severely this year, and he can only do so by determining his revenue first and then instructing departments to live within the national income."

Mr. Massey has found it necessary to state the Government's case. He claims that the Government has been engaged, ever since the elections, in one continuous struggle against demands from all over the Dominion for increased expenditure, and also in endeavouring to reduce the expenses of administration. With regard to the latter, he expects later to be able to show that during the present half-year the burden upon the taxpayer will have been reduced by several hundreds of thousands of pounds. With regard to the additional taxation he claims some consideration from the fact that, if it were required, it would not come into operation until November next in the case of land tax, or until February next year in the case of income tax; just about the time when, according to present appearances, increased revenue might be urgently required. Further, he points to the concessions and exemptions, which had hitherto been very sparing in connection with the New Zealand income tax, but which now, he says, are so numerous that doubt has been expressed "as to whether the increases will be equal to them." He points out further that before the new taxes can come into operation, the Land and Income Tax Bill of next session must be passed. By then he would have a very much better idea of the amount of money required than was possible at present. There is a suggestion here that the legislation of last session may be modified, if not altogether withdrawn



## New Zealand

before the time of its coming into operation. At all events, he affirms that he would have more pleasure in substantially reducing taxation than in maintaining the present rates or increasing them, though the country's obligations must be met. But, nevertheless, Mr. Massey has been obliged to make some concession to public concern. "I propose," he quite recently stated to an interviewer, "to appoint a commission to go exhaustively through the public service to suggest where retrenchment is possible, such retrenchment as will not interfere with efficiency any more than can be helped." What may be a reform of permanent and constant value is the decision of the Government, urged upon it by the Public Service Commissioners, that every department should be required to produce an annual balance sheet in commercial form. This must help both Parliament, the public, and even the Commission itself to judge whether a department is being run on sound lines.

Extreme statements about the prospects of the Dominion are not justified. Mr. Massey has referred to one: "Criticisms coming from a New Zealander in London recently had declared that unless great care was taken, the country would be faced with bankruptcy. There were two words the citizens of New Zealand should never use. One was repudiation, and the other was bankruptcy. There was not the slightest fear of either. He believed the Dominion would get through. He did not say there would not be a pinch, but if the people of the country would only take off their coats and work there would be nothing to fear."

## Transition

### VII. TRANSITION

WHAT difficulties there are are financial rather than economic. The country is in a period of transition, with the necessity of providing for the great expense of the war and at the same time of facing the disturbance caused by a large and rapid rise in prices, with the prospect now of a fall, and by a very abnormal, though only temporary, condition of foreign trade. The problem is essentially the same in all the countries that fought throughout the war. It will be a matter, for some time, of continued readjustments to changing circumstances. Even the greater difficulties which may be caused by falling prices are rather of the future than of the present. The drop in wool prices, it is true, means probably a loss of some £6,000,000 to the country ; but for six months of the present dairying season—*i.e.*, August to February—the value of butter and cheese has increased by nearly £5,400,000. The report of Mr. R. W. Dalton, the British Trade Commissioner, after pointing out some of the difficulties of the present situation, proceeds : “ There does not seem to be much cause, however, for pessimism, and it seems not unlikely that New Zealand will be given time to readjust herself to new conditions before a slump comes. Meanwhile immigration is increasing, lands are being improved, and the Government has committed itself to an active public works policy. The extent to which production is carried on, having in mind the small population and the bad conditions of transport in some important districts, is truly remarkable. Now that population is slowly increasing and a systematic improvement of means of transport forecasted, the next two or three decades should witness a development even more remarkable than that which has already taken place. Side by side with this develop-



## New Zealand

ment there must be a continuously active public works policy."

The National balance sheet does not read so badly. It has been recently presented by Mr. Massey.

The total liabilities of New Zealand are now some £200,000,000. But as against this the State itself holds assets totalling no less than £121,114,000, of which the chief items are :—Railways, £42,400,000; land for settlement, £9,666,000; and public buildings, £8,240,000. In addition there are interest-bearing assets to set against the war-debt totalling about £20,000,000. There are thus total assets of over £140,000,000, leaving a comparatively small balance of less than £60,000,000, against which may be placed the Crown lands and all the privately-owned properties of the country and the interests behind them. This is no mean position for the country to be in after the great efforts of recent years. It fully justifies the sanguine view taken by its people, including the Prime Minister, and many others, as to the country's future.

### VIII. CURRENCY

**I**N conclusion, attention may be drawn to some features of the currency of New Zealand. This is not on a gold basis in the usual sense. It is an inconvertible paper one—inconvertible in law, and not merely in practice—as has been the case for so long in England. The bank note is full legal tender, not only for the individual, but also for the banks themselves. Yet the amount of gold in the banks is even now amply sufficient to maintain a gold currency in circulation. The notes in circulation during the last quarter, ending in December, amounted to £8,252,337, while the coin and bullion represented as much as £7,657,087, showing a deficiency of only £595,250. Yet this is the most unfavourable position that has yet arisen.

## Currency

The corresponding figures during the war years and since are as follows :—

December Quarter.	Note Circulation £	Coin, Bullion, etc. £
1914 .. .. .	2,614,232 ..	6,209,113
1915 .. .. .	3,097,816 ..	6,950,516
1916 .. .. .	4,778,267 ..	7,688,098
1917 .. .. .	6,464,695 ..	9,993,391
1918 .. .. .	6,761,705 ..	9,434,670
1919 .. .. .	7,254,412 ..	7,862,415
1920 .. .. .	8,252,337 ..	7,657,087

It is to be noted that the figures for the note circulation include the notes of other banks held by the various banks which are not in circulation in the ordinary sense.

It was only during last year that the note circulation began to exceed the coin and bullion held by the banks. When legislation was introduced at the beginning of the war, similar to that in England and framed with a view to increasing and protecting the gold reserve held by the banks, the coin and bullion exceeded by many millions and was several times the value of the notes in circulation. In 1913 the average value of the latter was £1,674,333, and the value of coin and bullion in the banks £5,204,266. The total combined circulation of coin and notes at first actually diminished. New Zealand could have parted with much the greater part of the gold in her banks without in any way endangering the security of the notes in circulation. As the war progressed the notes in circulation continually increased, but so long as the war continued the gold in the banks almost kept pace with them. The position seems strange when contrasted with the fact that gold is at a premium here just as in London. But the former connection between notes and gold has been cut. Moreover the exchange on London has been maintained. Except for trifling charges for commission, loss of interest, and so on, the New Zealand pound note has been kept equal to the



## New Zealand

English pound note, and consequently has shared in its depreciation. The exchange has been a paper exchange on both sides.

If New Zealand, some time after the conclusion of the war, had, like the United States, restored its exchanges and currency to a gold basis, the New Zealand exchange on London would no doubt have followed a course similar to that of the New York exchange. This would certainly have been highly inconvenient for New Zealand, the greater part of whose trade is still with Great Britain. This drawback has been avoided, but at the expense of a depreciated note currency, and a higher level of prices than would otherwise have obtained. There has never been any suggestion by the authorities of New Zealand taking independent action and placing her currency and exchanges again on a gold basis. It would appear that we must await the achievement of this result by Great Britain, to whom we have attached ourselves in this matter much as if we were an English county. Other parts of the Empire are in much the same position. Thus England's problem is not merely that of restoring her own currency, but incidentally those of a large portion of the Empire. Lately, owing to the large imports and the difficulty of financing them, the exchange on London has risen by successive stages to a premium of 3 per cent. for telegraphic transfers. The result of this, so long as it lasts, must be to depreciate the local notes in relation to English notes, and to tend to raise or diminish the fall of prices in New Zealand.

In one respect the Government has fallen from grace in dealing with the currency. The law provided that the banks should have authority to issue notes equal to their total holdings in New Zealand of coin, bullion, and public securities. The country went through the war without any alteration in this provision. The note issue was greatly increased, but, as has been pointed out, the large holdings of gold allowed of this being done in accordance with the law. It is only lately that the Government has thought it

## Currency

advisable, under pressure from the banks, to make any breach in the provision against an undue issue of notes. When the loan for the settlement of soldiers was issued, authority was given to the banks to issue notes to the value of advances made against subscription to this loan. This has been closely followed by another extension. With the fall in its price it was thought desirable that farmers should be induced to hold their wool, and not sacrifice it at too low prices, and advances were to be made to the farmers by the banks and guaranteed by the Government. Mr. Beauchamp, Chairman of the Bank of New Zealand, urged that this plan "would naturally tend to curtail credit in other directions." This difficulty has been overcome by now further authorising the banks to issue notes up to the amount of their advances on wool. We thus see that the banks are satisfied they cannot extend their credit safely without a larger basis of legal-tender currency, and that the present Government is not averse to admitting loan-scrip and wool along with gold and public securities as a reserve for an enlarged issue. The process may go no further, but on the other hand it may. Even if it does not, the increased currency and credit for the time being will be an influence antagonistic to any reduction in the cost of living. Yet the Prime Minister, not very long ago, publicly expressed his opinion that the inflation of currencies was largely, if not mainly, responsible for the increase in such cost, and later said he would not be a party to increasing the issue of notes. And this serious breach in the line of defence against inflation has been made, not during the strain and impetuosity of war, but deliberately in peace, when other nations, who have been forced far along the same path, are making efforts to retrace their steps.



# New Zealand

## IX. THE IMPERIAL CONFERENCE

QUITE recent developments make it advisable to add to an article, that was intended to be purely financial, a few words about the approaching Imperial Conference. Opinion has been to some extent focused on Imperial matters, by the last utterance of Lord Milner as Secretary of State. The whole question of the relationship of the several parts of the Empire to one another and to the whole was raised, and the onus practically put upon the overseas members to suggest a basis of future partnership. The idea of taking any risk of possibly drifting apart is not entertained in New Zealand. To quote the words of the *New Zealand Herald* :—

As international society is now organised the British nations cannot afford to do without each other. The loss of the Dominions would be a serious blow to the United Kingdom. The loss of the United Kingdom would be an irreparable blow to the Dominions. It would leave them helpless in an unfriendly world, unable to stand alone, or even together, and forced to seek safety in a foreign alliance which might, and probably would, contain more real subservience than ever marked the relations of the Dominions with their parent State. The Empire might passively drift into such a separation ; it is impossible to suppose that British peoples would ever actively seek it. The issues before the forthcoming conference may therefore be narrowed down to those of organic union or friendly co-operation with improved means of consultation. The first is the ideal to which racial instinct will most readily quicken ; at the same time it is the course set with the greatest political dangers. It involves a common executive for the Empire, and logically a common Legislature, with full authority in the sphere of foreign relations, including defence. That such machinery will eventually be established is highly probable, but it will be difficult to establish, and the risk of making a wrong or a premature start is greater than any of the advantages of haste. For this reason the statesmen of the Empire will almost certainly favour the alternative of improving the machinery of consultation, maintaining meantime the forms of union which have the sanction of time, inconsistent though they be in

## The Imperial Conference

theory with the independence of the Dominions, and dependent though they be upon the tact and forbearance of the United Kingdom Cabinet.

It would be perhaps impossible briefly to summarise more perfectly the best opinion in New Zealand.

The *Wellington Post*, representing the Capital city, is equally outspoken, and proposes a practical proof of our sincerity. In suggesting a declaration of principles from Mr. Massey it remarks that—

even so eminently safe a proposition as a declaration of New Zealand's faith in the Empire and her determination to be a party to nothing that could imperil its unity might not be amiss. Before the Peace Conference such a declaration might have been a superfluity, but the independent representation of the Dominions on the League of Nations has established tendencies with which New Zealand has no sympathy and which must be jealously watched. Next to this general declaration of faith, which is open to no objection except that it is too obvious, might come an equally emphatic assertion that, having attained to the dignity of nationhood, we are no longer content to enjoy the privileges of the Empire without undertaking our fair share of its burdens. To the cost of the British Navy, which saved the Empire and the world, the Dominions, with the exception of Australia, were contributing practically nothing before the war, and they are contributing practically nothing now. The request for the abolition of this injustice should come from the Dominions themselves. An immediate and emphatic declaration from New Zealand on the subject would be of more value than anything that could be said on our behalf at the Conference.

Mr. Massey, too, made a statement at a party meeting on February 14, although it was by no means a party statement. "Another point," he said, "he would have to look after—another great point—was that of the Imperial connection with the Dominions. The Dominions, as far as he was concerned, were not independent nations who could do what they liked, and what little influence he could use would be used in the direction of a United Empire. Our very existence in the Pacific depended upon a united



## New Zealand

Empire, and the existence of that Empire depended on the supremacy of the British Navy."

A cablegram that has been received from Mr. Lloyd George, through the Secretary of State for the Colonies, states that the matters to be dealt with at the coming Imperial Conference were of such urgent importance that New Zealand should be represented by the Prime Minister and asking that Mr. Massey should be present if at all possible. It had been intended that Sir Francis Bell, who would have served any but the most extraordinary occasion, should represent New Zealand. The Cabinet decided that Parliament should be convened on March 10, so that, if it approved, the necessary arrangements may be made. According to Mr. Massey, this early session of Parliament will be only a short one, lasting a week or ten days, the sole object being to decide whether to accept the invitation and to vote the necessary supplies, but there is a demand that Parliament should also consider the policy to be adopted at the Conference. There is no doubt about Mr. Massey's attending the Conference ; public opinion is quite clear on that point.

New Zealand. February, 1921

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A QUARTERLY REVIEW OF THE  
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## THE IMPERIAL CONFERENCE

THE Imperial Conference of 1921 has been remarkable in many ways. The official designation, "The Conference of Prime Ministers and Representatives of the United Kingdom, the Dominions, and India," is in itself worth notice since it suggests that the United Kingdom, the Dominions, and India have been taking counsel together on equal terms; and undoubtedly the official terminology has considerable significance. Yet, cumbrous as it is, the official terminology does not cover the whole facts, since the Colonial Secretary, Mr. Churchill, has evidently not been present on behalf of the Dominions, which have their own Ministers, but on behalf of the Crown Colonies and Protectorates. Complete or not, the title means much. "Imperial Cabinet," a title which seemed likely at one time to develop naturally out of the Imperial War Cabinet, has evidently receded from favour as savouring too much of a central executive. "Imperial Conference," on the other hand, has seemed too much like a relapse into the social gatherings which dignified the latter days of Queen Victoria and the reign of King Edward. "British Empire Delegation," a survival from the Peace Conference at Paris, in 1919, has had little support in the Press, and apparently none in the Conference itself. There is nothing for it, therefore, but the long official formula, which is shortened in the bulk of the report to "the Conference."

Although officially no more than a Conference, its atmosphere, its demeanour, its record have been that of a



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Cabinet. It has given the public no account of its proceedings, but only the results. It has confined itself to proclaiming the conclusions of its discussions, and we are not told what part in those discussions was taken by the individual "Prime Ministers and Representatives." Most important of all, it has sat with members of the British Cabinet to determine British policy on "Imperial and foreign questions of immediate urgency which arose in the course of the sittings"—we quote from its official report—and in that joint or collective capacity it has recommended action to the Sovereign like any ordinary Cabinet.

But while the official terminology represents, perhaps, a retreat from that used in connection with the Imperial War Cabinets, its proceedings mark a definite advance in status on the Imperial Conference of 1911. Then the Dominion Premiers were informed about foreign affairs. Now the "Conference of Prime Ministers and Representatives" is recognised as the body which formulates the policy of the Empire, especially in foreign affairs, but also in other Imperial matters; while the British Government becomes charged with the duty of carrying out that policy in the intervals between the assembling of the Conference, subject to such consultation as is possible through resident or visiting Ministers or the cables and the mails. From now onwards policy is a matter for the people of the Empire, and the British Government will occupy a position somewhat similar to that of the President of the United States, whose foreign policy, to be effective, requires the consent and co-operation of the Senate—in our case the Dominions. The constitutional effect of this system we will discuss in a future issue of **THE ROUND TABLE**; as also the decision of the Conference to drop the Constitutional Convention provided for in the Imperial Conference resolution of 1917.

The Conference was unquestionably a success. It "kept itself to itself," and the Press of the United Kingdom has not, except when the Japanese Alliance was under discussion, been greatly interested in it. We have been

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told, for instance, much more of what America thought of it than of what we thought of it ourselves. On the other hand, no one who met those engaged in its deliberations could fail to gather a very strong impression of the belief of its members in its reality and worth. Social functions, which played so large a part in the old Imperial Conferences, speeches outside the Conference itself, resolutions by outside bodies exhorting the Conference to bind the Empire together, denunciations of the Conference as a Tory plot to divert attention from urgent domestic reforms—all those standing characteristics of the pre-war conferences have been conspicuously absent. The thing has been the Conference itself, working away silently for a space of seven weeks.

No doubt one reason of this has been the striking character of its personnel. The representatives of Canada and India alone were new to the gathering, and opinion seems to indicate that both acquitted themselves well. The representatives of India had a peculiarly difficult task, and they will go home with a resolution which testifies very eloquently to the impression they made on their colleagues.

The rest were all veterans. Mr. Lloyd George, Mr. Hughes, Mr. Massey, and General Smuts are a remarkable quartet. They are the only Ministers in the world, so far as we know, who have weathered not only the storms of the war, but the reactions of the peace. Strong personalities all of them ; vividly representative of the peoples from which they come ; politicians, too, but with that sure sense for realities which comes from responsibility in war ; well versed in the affairs not only of their own peoples but of the world by their long experience in the Peace Conference ; familiar also to each other, and capable therefore of that kind of discussion which is only fruitful amongst friends. Long association stands for much. The wheels of the Conference will move more laboriously when the ways of mortality or the chances of politics bring together a body



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of representatives who meet each other from long distances for the first time.

It is not easy to review, except in general terms, the work of the Conference. A summary of its proceedings and conclusions has been published—a document of the consistency of cracknel biscuit which we append, for its solid and sustaining quality, to this brief note. There is not time to study it in detail in this number of the Review; but we will attempt to summarise some of the results of the Conference which the more reliable researches of the Press, confirmed by the less obscure passages of the official annalist, seem to indicate as correct. Some day perhaps the veil will be lifted on the real substance of its debates. The Prime Ministers themselves will be less than human if, when they return to their own peoples, they confine themselves entirely to the arid outlines of the Report.

In the first place, then, it seems to us that the Conference has done sterling work in bringing opinion together on the main questions of foreign policy, which were apparently the subject of much divergence before it met. There is nothing more important in the Report than the passage which relates that its discussions “revealed a unanimous opinion as to the lines to be followed by British policy, and a deep conviction that the whole weight of the Empire should be concentrated behind a united understanding and common action in foreign affairs.” “All members of the Conference,” the Report adds, “expressed a vivid sense of the value of this year’s meeting in that respect.” The point is worth emphasising more strongly, we think, than the members of the Conference seem to have realised. They may have thought mainly of their own peoples, whose preoccupation at the moment is rather lest they should be committed to too much unity than to too little of it. It is a natural anxiety amongst peoples whose status is newly won and to whom their standing within the family at present means more than the standing of the whole family in the eyes of the world. But the very illuminating American

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comment which we publish elsewhere in this number of the Review shows that the statement of unity was really necessary and timely, since foreign peoples continue to expect the dissolution of the British Empire in a riot of local autonomies. Indeed, those who study the newspapers of America, France, Italy and Germany will have seen that their comment upon the work of the Conference has in many ways been more searching than the comment of our own Press. The point is worthy of consideration as an index of two things : first, of the presence in the working of our post-war Imperial constitution of the same kind of weakness as we are quick to point out in the American Constitution ; second, of the great significance to the world of British unity or disunity—a point which our own democracies do not realise themselves.

The most striking example of this agreement on foreign policy was the action of the Conference in regard to the Anglo-Japanese Agreement and our relations with the United States. These formed the first subject to which the Conference addressed itself after its preliminary discussions. It is clear that much attention was given to the danger of racial conflict in the Pacific and Far East, the growth of naval armaments in that area, and the permanent importance of seeking an international Pacific understanding to limit naval competition and guarantee peace. The actual line of discussion which led to the Conference's decision, outlined in the Report, has unfortunately not been given to the public ; but the published appreciations of the subject, and particularly the Prime Minister's statement to the House on July 11, indicate the main considerations in the mind of the Conference, which guided its course.

In the first place, it was evidently held that the Empire must maintain its historic role of a moderating reconciling influence between the civilisations of East and West. The supreme importance of the Pacific problem arises from the fact that there will lie the main theatre of racial antagonism,



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should ever that antagonism become acute. For the British Empire it is of vital interest to prevent an accentuation of national politics on the lines of race, for such a movement would ultimately bring disunion between the King's European and Asiatic subjects and divide the Empire against itself. To prevent it is no less vital to humanity in general, since racial antagonism reinforced by the colour line forms the greatest of all potential dangers to the world's peace. It is, therefore, both the duty of the Empire and its interest to stand resolutely for a policy of justice, equal consideration and fair play between the races and nations of the Pacific and Far East. Mr. Lloyd George's opening statement emphasised this, and it seems to have commended itself to the whole Conference.

It was this broad consideration which evidently inspired the decision of the Conference to base its Pacific policy on a co-operation which would include both the United States and Japan. Mr. Lloyd George declared that he spoke for all the members of the Conference when he said in the House of Commons on July 11 that the British Empire saw in the United States "the people closest to its own aims and ideals, with whom it is for us, not merely a desire and an interest, but a deeply rooted instinct to consult and co-operate." It has often been pointed out that the Dominions themselves are in many respects only so many small Americas, similar in origin, similar in development, similar in habit and point of view to the United States. For them, as for the United Kingdom, any failure of understanding between the Empire and the United States in the main issues of world policy would be against nature itself. The policy of close understanding and co-operation with the United States in world affairs was accepted as a cardinal axiom of imperial policy. To use, indeed, the actual words of the Prime Minister which are quoted in the official report of the Conference, "the first principle of our policy (is) friendly co-operation with the United States." Parallel to this, and in the opinion of the Conference clearly

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consistent with it, was the maintenance of the policy of friendship and mutual service between the British Empire and its Far Eastern ally, Japan. Formed originally to prevent a general conflagration as the result of the Russo-Japanese war, the Anglo-Japanese Agreement has been throughout the twenty-six years of its existence a powerful factor on the side of peace. In virtue of it Japan rendered sterling service, not only to the British Empire, but to all the Allied and Associated Powers, during the great war. She threw her navy into that struggle with most valuable effect at a time when German cruisers were at large in the Pacific ; she made possible the transport of Australian, New Zealand and Indian troops to the main theatres of war ; and she also fought steadily against the submarine menace in the Mediterranean, releasing thereby many Allied ships for service in other quarters where they were urgently required. The Alliance also served to keep in check the more extreme ambitions of Japanese militarists in China, as nothing else could have done. The Conference clearly felt that, even were there no broader factors in the case, the close co-operation of the British Empire and Japan had proved its value, not only to the two Allies themselves, but to the world at large, and that if possible it should be maintained in future in a form compatible with close association with the United States and the maintenance of the independence of China and the open door. It was a further and essential consequence of its aspiration that the Empire should play the part of an intermediary in the reconciliation of East and West, that the Conference should, to use its own words, aim at giving China "every opportunity of peaceful progress and development."

The third factor of dominant importance has been the rapid development of naval competition in the Pacific. The members of the Conference decided, as the resolution on the subject in the published Report shows, that the British Empire must, in the interests of all its peoples and of peace, maintain a navy equal to that of any other Power.



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At the same time the danger of naval competition in the Pacific was obvious, and it was very keenly felt that no effort should be spared to bring about an immediate understanding for the limitation of naval competition as an essential condition of lasting peace. Provided that an understanding in principle can be reached between the three Powers with regard to their aims and interests in the Western Pacific and Far East, the Conference evidently believed that an accommodation should be easily attainable with regard to naval building also. They felt that the essential point was to arrive at a tripartite understanding, and a prompt exchange of views in an atmosphere of friendly confidence was a necessary preliminary to that result. Given an understanding in principle as to their aims and interests between the three Naval Powers, a just and fair solution of many dependent questions, such as the development of China, and naval armaments would follow in due course.

The Report gives an account of the action taken by the Conference to secure an exchange of views at an early date. It is a very real misfortune that the idea was not accepted by the United States, but we will hope that an intimate discussion such as was suggested in this Review many months ago will even yet take place before the meeting of the Great Washington Conference on Disarmament.

For the rest, the Conference seems to have approved of the policy of close co-operation with France, provided that the policy of France was consistent with the maintenance of peace and the growth of prosperity in Europe.

Time does not permit of a detailed examination of the other matters discussed at the Conference. The important discussion centred on constitutional status and foreign policy, especially in relation to the United States, the Pacific and Japan, and these have been already dealt with. Emerging out of these discussions, however, the great importance of speeding up imperial communications became clear. If the broad outlines of the foreign policy of the

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Empire are to be determined by the Prime Ministers of the Empire they must meet more often, and if they are to meet more often some quicker means of transit must be provided. The question of the air routes was considered, but it is evident that invention and organisation have not yet produced a satisfactory means of locomotion over very long distances through the air. It is matter for consideration whether the construction of one or two 30-knot vessels would not be worth while.

A word must be added on the resolution which relates to the position of British Indians. The Conference reaffirmed the principles adopted in 1918. These were that the absolute right of every Dominion, and also India, to settle its own immigration laws must be recognised. India has exactly as much right to exclude Canadians and Australians as Canada and Australia have to exclude Indians. If the laws of a Dominion on this subject appear unreasonable, the Indian legislature is entitled to pass similar laws against the citizens of that Dominion.

The Conference now goes further and declares that disabilities upon British Indians lawfully domiciled in some other parts of the Empire are incongruous with the position of India as an equal member of the British Empire and that it is desirable that the rights of such Indians to citizenship should be recognised.

From this resolution the representatives of South Africa record their dissent. Those of India express their profound concern at the position of Indians in South Africa, and their hope that by negotiations between the Governments of India and of South Africa some way can be found as soon as may be to reach a more satisfactory conclusion.

That all the Dominions but one should have seen their way to subscribing to this resolution is a great step. The one dissentient, however, is the Dominion where the question is really acute. Anyone who knows South African conditions could have foreseen that had General Smuts accepted this resolution he would have ceased to



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be Prime Minister of South Africa. The question of giving the vote to Indian settlers is inseparable from the question of giving the vote to natives who are the original inhabitants of the country and who outnumber the whites by four to one. In the area of the Cape Colony no racial disqualifications exist. In those of the former Republics and for all intents and purposes in Natal the vote is restricted to Europeans. Sooner or later South Africa will have to face this discrepancy in its system.

The Indian representatives are undoubtedly right in their view that the whole question of the position of Indians domiciled in South Africa should now be made the subject of direct negotiation between India and South Africa. India's case will be greatly strengthened by the resolution recording the opinion of the whole Commonwealth outside South Africa.

It is interesting to note that the Conference has been able to record on its minutes a resolution which was not unanimous. It is now for the British Government as party to the resolution to consider how the principle is to be applied in Kenya and the other crown colonies.

Finally we may point to the fact that the Imperial Conference is no longer a patriotic or sentimental demonstration, but a piece of practical machinery for the conduct of Imperial affairs on co-operative lines. Its practical usefulness is apparent from the fact that it was continuously at work during seven weeks, that it shirked no subject, however difficult, and that it succeeded, though sometimes with difficulty, in reaching unanimous conclusions on all the vital questions submitted to it. Here for the moment we must leave it. It is not improbable that a further chapter in the history of inter-Imperial relations will fall to be written in connection with the Disarmament Conference in Washington.

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## WORK OF THE PRIME MINISTERS

### OFFICIAL REPORT

The following summary of the transactions of the Prime Ministers and representatives of the United Kingdom, the Dominions, and India during June, July and August, 1921, was issued last evening :—

#### PRELIMINARY NOTE.

The proceedings of the Conference of Prime Ministers and representatives of the United Kingdom, the Dominions, and India opened at 10, Downing Street, on June 20, 1921, and were continued until August 5. During that period 34 plenary meetings took place, which were normally attended by the following :—

*Great Britain* :—Mr. D. Lloyd George, Prime Minister ; Mr. A. Chamberlain, Lord Privy Seal ; Mr. A. J. Balfour, Lord President of the Council ; Lord Curzon, Secretary of State for Foreign Affairs ; Mr. W. S. Churchill, Secretary of State for the Colonies.

*Canada* :—Mr. A. Meighen, Prime Minister ; Mr. C. C. Ballantyne, Minister of Naval Service.

*Australia* :—Mr. W. M. Hughes, Prime Minister.

*New Zealand* :—Mr. W. F. Massey, Prime Minister.

*South Africa* :—General J. C. Smuts, Prime Minister ; Sir Thomas Smartt, Minister of Agriculture ; Colonel H. Mentz, Minister of Defence.

*India* :—Mr. E. S. Montagu, Secretary of State for India ; The Maharao of Cutch ; Mr. Srinivasa-Sastri.

#### SECRETARIAT

*Great Britain* :—Sir M. P. A. Hankey, Sir Henry Lambert, Sir Edward Grigg, Colonel S. H. Wilson. *Canada* :—Mr. L. C. Christie, Mr. C. H. A. Armstrong. *Australia* :—Mr. P. E. Deane. *New Zealand* :—Mr. F. D. Thomson. *South Africa* :—Mr. G. Brebner, Captain E. F. C. Lane. *India* :—Mr. G. S. Bajpai.

In addition the following attended meetings for the discussion of subjects which particularly concerned their respective departments : Lord Birkenhead, Lord Chancellor ; Sir L. Worthington Evans, Secretary of State for War ; Mr. S. Baldwin, President of the Board of Trade ; Mr. H. A. L. Fisher, President of the Board of Education ;



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Mr. F. G. Kellaway, Postmaster-General; Sir Robert Horne, Chancellor of the Exchequer; Lord Lee of Fareham, First Lord of the Admiralty; Captain F. E. Guest, Secretary of State for Air; Earl Beatty, First Sea Lord and Chief of Naval Staff; Sir Eyre A. Crowe, Permanent Under-Secretary of State for Foreign Affairs; Field-Marshal Sir H. H. Wilson, Chief of the Imperial General Staff; Sir C. J. B. Hurst, Legal Adviser, Foreign Office; Sir B. P. Blackett, Controller of Finance, Treasury; Sir G. L. Barstow, Controller of Supply Services, Treasury; Major-General Sir F. H. Sykes, Controller-General of Civil Aviation; Air-Marshal Sir H. M. Trenchard, Chief of the Air Staff; Sir Philip Lloyd-Greame, M.P., Director of Overseas Trade Department; Sir H. Llewellyn Smith, Chief Economic Adviser to H.M. Government; Rear-Admiral Sir E. P. F. G. Grant, First Naval Member of Naval Board and Chief of Australian Naval Staff; Captain B. E. Domville, Director of Plans Division, Admiralty; Mr. C. Hipwood, Mercantile Marine Department, Board of Trade.

Apart from the plenary meetings, the Prime Ministers of the United Kingdom and the Dominions met on 11 occasions, and 8 meetings of Committees were held at the Colonial Office.

The greater part of the proceedings, particularly that relating to foreign affairs and defence, was of a highly confidential character, comparable rather to the work of the Imperial War Cabinets of 1917 and 1918 than of the Imperial War Conferences of those years. Other parts, though not so secret in their nature, were intermingled with matter which must for the present be kept confidential. In regard to such discussions only an indication has been given here of their general tenor.

Mr. Lloyd George, as chairman, opened the proceedings with a comprehensive review of the situation in which the Conference had assembled. He outlined its task, stated broadly the principles of policy which commended themselves to the British Government, and dwelt upon the significance of the Conference and the importance of its work. He was followed in turn by all the other Prime Ministers, by Mr. Sastri for India, and by Mr. Churchill for the Colonies and Protectorates. This preliminary discussion occupied two days. The speeches were published at the time.

### FOREIGN POLICY

The Conference then addressed itself to a detailed consideration of the foreign policy of the British Empire. The discussion on this was opened by the Secretary of State for Foreign Affairs, who made an exhaustive statement upon the course of foreign affairs since the

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Peace Conference. His statement was supplemented by Mr. Churchill, who dealt with the special problems of the Middle East.

There followed a series of important discussions, which were largely conversational in form, each representative intervening in turn as occasion prompted, without formality of any kind. The objects in view were threefold: First, that the members of the Conference should all put their ideas into the common stock and thus gain a thorough understanding of each other's point of view; second, that the principal questions of foreign policy should be examined by this means from every point of view; and third, that there should be a free and full discussion of the general aims and methods to be pursued. The discussions, which covered the whole area of foreign policy and extended over many days, proved most fruitful in all these respects. They revealed a unanimous opinion as to the main lines to be followed by British policy, and a deep conviction that the whole weight of the Empire should be concentrated behind a united understanding and common action in foreign affairs. In this context very careful consideration was given to the means of circulating information to the Dominion Governments and keeping them in continuous touch with the conduct of foreign relations by the British Government. It was unanimously felt that the policy of the British Empire could not be adequately representative of democratic opinion throughout its peoples unless representatives of the Dominions and of India were frequently associated with those of the United Kingdom in considering and determining the course to be pursued. All members of the Conference expressed a vivid sense of the value of this year's meeting in that respect and a desire that similar meetings should be held as frequently as possible.

A precedent created by the Imperial War Cabinet was also revived with valuable results. From 1916 till the armistice the Prime Ministers of the Dominions and the representatives of India frequently sat with members of the British Cabinet to determine the measures necessary for the prosecution of the war. This method of procedure was also adopted by the British Empire Delegation during the Peace Conference in Paris, when all cardinal decisions were taken by the Delegation as a whole. In accordance with this precedent, the Prime Ministers of the Dominions and the representatives of India present in London this year were invited to meetings with members of the British Cabinet called to deal with Imperial and foreign questions of immediate urgency which arose in the course of the sittings.

One of the most important of these was the Upper Silesian question, which, during the session of the Conference, assumed an acute form, and was debated at each stage by the members of the Conference, whose interest in a matter so closely affecting the



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relations of Great Britain and France was incontestable. The main lines of British policy in connection with the solution of this problem received the unanimous approval of the Conference, and it was with satisfaction that they heard, before the termination of their sittings, that, the preliminary difficulties having been resolved, the final settlement of the question of the Silesian frontier was remitted, under the terms of the Treaty of Versailles, to an immediate meeting of the Supreme Council at Paris.

### PROBLEMS OF THE PACIFIC

The problems of the Western Pacific and the Far East, together with the Anglo-Japanese Agreement, were also fully discussed; and President Harding's invitation to a conference on disarmament was warmly welcomed by all the members of the Conference. The following statement, made by the Prime Minister in the House of Commons on July 11, represents the general view of all members of the Conference on the main issues of the Pacific, as also on the question of disarmament:—

“The broad lines of Imperial policy in the Pacific and the Far East were the very first subjects to which we addressed ourselves at the meetings of the Imperial Cabinet, having a special regard to the Anglo-Japanese Agreement, the future of China, and the bearing of both these questions on the relations of the British Empire with the United States. We were guided in our deliberations by three main considerations. In Japan, we have an old and proved ally. The agreement of 20 years' standing between us has been of very great benefit, not only to ourselves and her, but to the peace of the Far East. In China there is a very numerous people, with great potentialities, who esteem our friendship highly, and whose interests we, on our side, desire to assist and advance. In the United States we see to-day, as we have always seen, the people closest to our own aims and ideals, with whom it is for us, not merely a desire and an interest, but a deeply-rooted instinct to consult and co-operate. Those were the main considerations in our meetings, and upon them we were unanimous. The object of our discussions was to find a method combining all these three factors in a policy which would remove the danger of heavy naval expenditure in the Pacific, with all the evils which such an expenditure entails, and would ensure the development of all legitimate national interests of the Far East.

“We had in the first place to ascertain our exact position with regard to the Anglo-Japanese Agreement. There had been much doubt as to whether the notification to the League of Nations made last July constituted a denunciation of the Agreement in the sense of Clause 6. If it did, it would have been necessary to decide upon

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some interim measure regarding the Agreement pending fuller discussions with the other Pacific Powers, and negotiations with this object in view were, in point of fact, already in progress. If, on the other hand, it did not, the Agreement would remain in force until denounced, whether by Japan or by ourselves, and would not be actually determined until twelve months from the date when notice of denunciation was given. The Japanese Government took the view that no notice of denunciation had yet been given. This view was shared by the Secretary of State for Foreign Affairs; but, as considerable doubt existed, we decided, after a preliminary discussion in the Imperial Cabinet, to refer the question to the Lord Chancellor, who considered it with the Law Officers of the Crown, and held that no notice of denunciation had yet been given.

“It follows that the Anglo-Japanese Agreement remains in force unless it is denounced, and will lapse only at the expiration of twelve months from the time when notice of denunciation is given. It is, however, the desire of both the British Empire and Japan that the Agreement should be brought into complete harmony with the Covenant of the League of Nations; and that wherever the Covenant and the Agreement are inconsistent, the terms of the Covenant shall prevail. Notice to this effect has now been given to the League.

“The broader discussion of Far Eastern and Pacific policy to which we then turned showed general agreement on the main lines of the course which the Imperial Cabinet desired to pursue. I have already explained that the first principle of our policy was friendly co-operation with the United States. We are all convinced that upon this, more than any single factor, depends the peace and well-being of the world. We also desire, as I have stated, to maintain our close friendship and co-operation with Japan. The greatest merit of that valuable friendship is that it harmonises the influence and activities of the two greatest Asiatic Powers, and thus constitutes an essential safeguard to the well-being of the British Empire and peace of the East. We also aim at preserving the open door in China, and at giving the Chinese people every opportunity of peaceful progress and development.

“In addition to these considerations, we desire to safeguard our own vital interests in the Pacific, and to preclude any competition in naval armaments between the Pacific Powers. All the representatives of the Empire agreed that our standpoint on these questions should be communicated with complete frankness to the United States, Japan, and China—with the object of securing an exchange of views which might lead to more formal discussion and conference. The Secretary of State for Foreign Affairs accordingly held conversations last week with the American and Japanese Ambassadors and the Chinese Minister, at which he communicated to them the views of the Imperial Cabinet, and asked in turn for the views of their



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respective Governments. He expressed at these conversations a very strong hope that this exchange of views might, if their Governments shared our desire in that respect, pave the way for a conference on the problems of the Pacific and the Far East.

"The views of the President of the United States were made public by the American Government this morning. It is known to the House Mr. Harding has taken the momentous step of inviting the Powers to a Conference on the limitation of armaments, to be held in Washington in the near future, and he also suggests a preliminary meeting on Pacific and Far Eastern questions between the Powers most directly interested in the peace and welfare of that great region, which is assuming the first importance in international affairs. I need not say that we welcome with the utmost pleasure President Harding's wise and courteous initiative. In saying this I know that I speak for the Empire as a whole. The world has been looking to the United States for such a lead. I am confident that the House will esteem it as an act of far-seeing statesmanship and will whole-heartedly wish it success. I need hardly say that no effort will be lacking to make it so on the part of the British Empire, which shares to the full the liberal and progressive spirit inspiring it."

### PRELIMINARY CONFERENCE

In accordance with the suggestion which was believed to have been made by the American Government that the conference on disarmament should be preceded by friendly conversations or consultation between the Powers who were principally concerned in the future of the Far East and the Pacific, the Imperial Conference, anxious that for the Anglo-Japanese Agreement should be substituted some larger arrangement between the three Great Powers concerned—namely, the United States of America, Japan, and Great Britain, and holding the firm conviction that the later discussions on disarmament, to which they attached a transcendent importance, could best be made effective by a previous mutual understanding on Pacific questions between those Powers, devoted many hours of examination to the question how such an understanding could best be arrived at, where the proposed conversations could best be held; in what manner the representatives of the British Dominions, who were so vitally affected, could most easily participate in them; and upon what broad principles of policy it was desirable to proceed. It was difficult for the Dominion Prime Ministers, owing to the exigencies of time and space, to attend at Washington late in the autumn. On the other hand, advantage might be taken of their presence in England to exchange views with representatives of the other Great Powers who had been invited to Washington later. It

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was in these circumstances that the idea was mooted that the preliminary conversations or consultations, to which the American Government had in principle agreed, should be held in London.

When it transpired a little later that there was some misunderstanding as to the nature of the preliminary conversations which had been suggested, the British Government, in the earnest desire to remove any possible misconception, and to meet what they believed to be the American views, at each stage of the impending discussions, volunteered to attend a meeting on the other side of the Atlantic, at which the agenda of the forthcoming conference at Washington could be discussed, and a friendly interchange of views take place in order to facilitate the work of the main conference later. The British Prime Minister and Foreign Secretary together with the Dominion Prime Ministers were prepared to attend such a meeting, if invited to do so by the American Government.

The Japanese Government signified their willingness, if invited, to take part in the suggested conversations.

The American Government, however, did not favour the idea, which was accordingly dropped.

This conclusion was viewed with the utmost regret by the members of the Imperial Conference, who had devoted no small portion of time to the working out of an arrangement which, they understood, would be equally acceptable to all parties, and the abandonment of which could not, they feared, be otherwise than prejudicial to the great objects which all had in view. At no stage had it been suggested that the results of such a consultation as was contemplated should either anticipate the work or tie the hands of the Washington conference at a later date. On the contrary, holding as they do the firm belief that without a Pacific understanding the conference on disarmament will find it less easy to attain the supreme results that are hoped for by all, the Imperial Conference made the proposal before referred to, anxious to remove every possible obstacle from the path of the Washington meeting, which they desired to see attended with complete and triumphant success.

### EMPIRE SETTLEMENT AND MIGRATION

The question of Empire settlement and migration was considered by a special committee under the chairmanship of the Secretary of State for the Colonies, and the following resolution was finally adopted by the Conference:—

“The Conference having satisfied itself that the proposals embodied in the Report of the Conference on State-aided Empire Settlement are sound in principle, and that the several Dominions are prepared, subject to Parliamentary sanction and to the necessary



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financial arrangements being made, to co-operate effectively with the United Kingdom in the development of schemes based on these proposals, but adapted to the particular circumstances and conditions of each Dominion, approves the aforesaid Report.

“The South African representatives wish to make it clear that the limited field for white labour in South Africa will preclude co-operation by the Union Government on the lines contemplated by the other Dominions.

“The Conference expresses the hope that the Government of the United Kingdom will at the earliest possible moment, secure the necessary powers to enable it to carry out its part in any schemes of co-operation which may subsequently be agreed on, preferably in the form of an Act which will make clear that the policy of co-operation now adopted is intended to be permanent.

“The Conference recommends to the Governments of the several Dominions that they should consider how far their existing legislation on the subject of land settlement, soldier settlement, and immigration may require any modification or expansion in order to secure effective co-operation, and should work out, for discussion with the Government of the United Kingdom, such proposals as may appear to them most practicable and best suited to their interests and circumstances.”

### THE PROPOSED CONFERENCE ON CONSTITUTIONAL RELATIONS

Several plenary meetings and several meetings of the Prime Ministers were devoted to a consideration of the question of the proposed Conference on the Constitutional Relation of the component parts of the Empire, and the following resolution was adopted :—

“The Prime Ministers of the United Kingdom and the Dominions, having carefully considered the recommendation of the Imperial War Conference of 1917 that a special Imperial Conference should be summoned as soon as possible after the war to consider the constitutional relation of the component parts of the Empire, have reached the following conclusions :—

“(a) Continuous consultation, to which the Prime Ministers attach no less importance than the Imperial War Conference of 1917, can only be secured by a substantial improvement in the communication between the component parts of the Empire. Having regard to the constitutional developments since 1917, no advantage is to be gained by holding a constitutional conference.

“(b) The Prime Ministers of the United Kingdom and the Dominions and the representatives of India should aim at meeting annually, or at such longer intervals as may prove feasible.

“(c) The existing practice of direct communication between the

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Prime Ministers of the United Kingdom and the Dominions, as well as the right of the latter to nominate Cabinet Ministers to represent them in consultation with the Prime Minister of the United Kingdom are maintained.”

## LEAGUE OF NATIONS

A discussion took place in regard to the League of Nations, during which Mr. Balfour explained at length the work which had been carried out by the League and the special difficulties with which it has to contend. Mr. Balfour's statement was published at the time, and will be included in a Blue Book to be issued shortly.

While a more equitable distribution between its members of the cost of the League was considered essential to its future, there was general appreciation of its work and of the League's claim to the support of the British Empire as a step forward in the regulation of international affairs.

## EGYPT

Close consideration was given to the question of British policy in Egypt and the future status of that country, and general agreement was reached regarding the principles by which His Majesty's Government should be guided in the negotiations with the Egyptian Delegation.

## IMPERIAL DEFENCE

Several plenary meetings and several meetings of the Prime Ministers alone with the Secretary of State for India were devoted to considering the naval defence of the Empire, and the following resolution was adopted :—

“That, while recognising the necessity of co-operation among the various portions of the Empire to provide such naval defence as may prove to be essential for security, and while holding that equality with the naval strength of any other Power is a minimum standard for that purpose, this Conference is of opinion that the method and expense of such co-operation are matters for the final determination of the several Parliaments concerned and that any recommendations thereon should be deferred until after the coming conference on disarmament.”

In addition, a number of useful consultations took place between the Admiralty and the representatives of the several Dominions and India, at which were discussed such matters as the local co-



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operation of each Dominion in regard to the provision of oil tanks, local naval defence, etc.

A discussion took place on the military and air defence of the Empire, and the views of the general and air staffs on the principles which should be adhered to in order to ensure co-operation in these matters were laid before Ministers.

## IMPERIAL COMMUNICATIONS

The question of improved communication throughout the Empire, including air, telegraphy, telephony, and shipping, was considered, and a special committee, under the chairmanship of the Secretary of State for the Colonies, was appointed to go into the whole question. This committee reported to the main Conference, and eventually the following conclusions were arrived at :—

*Air.*—"The Conference, having carefully considered the report (to be included in a Blue Book which will be issued shortly) of the expert sub-committee on Imperial Communications, are of opinion that the proposals contained therein should be submitted for the consideration of the Governments and Parliaments of the different parts of the Empire.

"On the understanding that the cost involved will be in the region of £1,800 per month, they recommend that, pending such consideration, the existing material, so far as useful for the development of Imperial air communications, should be retained."

*Imperial Wireless Scheme.*—"It is agreed that His Majesty's Government should take steps for the erection of the remaining stations for which they are responsible, as soon as the stations are designed ; that the Governments of Australia, the Union of South Africa, and India, should take similar action so far as necessary, and that the Governments of Canada and New Zealand should also co-operate.

"The above scheme was accepted by the Prime Minister of the Commonwealth subject to giving full freedom of action to Australia to decide the method in which Australia will co-operate."

## SHIPPING

As regards the Report of the Imperial Shipping Committee on bills of lading, it was decided to adopt the following resolution :—

"The Conference approves the recommendations made in the report of the Imperial Shipping Committee on the limitation of shipowners' liability by clauses in bills of lading, and recommends

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the various Governments represented at the Conference to introduce uniform legislation on the lines laid down by the committee."

A resolution was also adopted to the effect that, pending the constitution of a permanent committee on shipping, the existing Imperial Shipping Committee should continue its inquiries.

The representatives of His Majesty's Government and the Governments of New Zealand and India were ready to agree to a wider resolution recommending the constitution under Royal Charter of a permanent committee to carry out the duties specified in the report of the Imperial Shipping Committee, dated June 3, viz. : (a) To perform such duty as may be entrusted to them under laws in regard to inter-Imperial shipping, applicable to the whole or to important parts of the Empire ; (b) to inquire into complaints in regard to ocean freights and conditions in inter-Imperial trade, or questions of a similar nature referred to them by any of the Governments of the Empire ; (c) to exercise conciliation between the interests concerned in inter-Imperial shipping ; (d) to promote co-ordination in regard to harbours and other facilities necessary for inter-Imperial shipping.

The representative of Canada, however, did not agree to this wider resolution, and the representatives of the Commonwealth of Australia and the Union of South Africa reserved the matter for further consideration. The position as regards rebates was discussed and strong representations were made by Dominion Ministers in regard to it, but no resolution was passed, it being understood that the matter is at present under consideration by the Imperial Shipping Committee.

### WIRELESS TELEPHONY

The present position regarding the development of wireless telephony was explained, and the following resolution was adopted :—

"That the Radio Research Board be asked to investigate the subject of wireless telephony and to report on its development, whether Governmental or private. That the Postmaster-General shall supply to the Governments of the Dominions and India technical reports showing its position and possibilities."

### RATES FOR PRESS MESSAGES

The special committee on communications received a deputation representing the Empire Press Union and the Newspaper Proprietors' Association, and subsequently Mr. Robert Donald, chairman of the Empire Press Union, made representations to them on the subject



## The Imperial Conference

of wireless telegraphy. The following resolution was agreed to and thereafter adopted by the main Conference :—

“The committee agrees with the resolution, passed at the second Imperial Press Conference held at Ottawa in 1920, that any assistance given by the Governments of the Empire towards the reduction of rates for Press services by wireless and cable should appear specifically in the estimates of public expenditure, and should be so directed as not to affect the quality of the news service supplied or the freedom of the newspapers so served. The committee is in full sympathy with the object of reducing rates, both by cable and wireless, for Press messages, and recommends the most favourable examination by the Governments concerned of any practicable proposals to this end.”

### REPARATIONS

The Conference agreed that the reparation receipts under the Treaty of Versailles should be apportioned approximately as follows :—

United Kingdom	..	..	..	..	..	86·85
Minor Colonies	..	..	..	..	..	·80
Canada	..	..	..	..	..	4·35
Australia	..	..	..	..	..	4·35
New Zealand	..	..	..	..	..	1·75
South Africa	..	..	..	..	..	·60
Newfoundland	..	..	..	..	..	·10
India	..	..	..	..	..	1·20

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100·00

### POSITION OF BRITISH INDIANS IN THE EMPIRE

The question of the position of British Indians in the Empire was discussed first at a plenary meeting, when the representatives of India fully explained the situation and the views held in India on the subject. The question was then remitted to a special committee under the chairmanship of the Secretary of State for the Colonies.

At a final meeting on the subject the following resolution was adopted :—

“The Conference, while reaffirming the resolution of the Imperial War Conference of 1918, that each community of the British Commonwealth should enjoy complete control of the composition of its own population by means of restriction on immigration from any of the other communities, recognises that there is an incongruity between the position of India as an equal member of the British Empire and the existence of disabilities upon British Indians law-

## The Imperial Conference

fully domiciled in some other parts of the Empire. The Conference accordingly is of the opinion that, in the interests of the solidarity of the British Commonwealth, it is desirable that the rights of such Indians to citizenship should be recognised.

“The representatives of South Africa regret their inability to accept this resolution in view of the exceptional circumstances of the greater part of the Union.

“The representatives of India, while expressing their appreciation of the acceptance of the resolution recorded above, feel bound to place on record their profound concern at the position of Indians in South Africa, and their hope that by negotiation between the Governments of India and of South Africa some way can be found, as soon as may be, to reach a more satisfactory position.”

### EMPIRE PATENT

A memorandum prepared in the Board of Trade on the demand for an Empire Patent was considered by a special committee, under the chairmanship of the Secretary of State for the Colonies, and the following recommendation, which was concurred in by the main Conference, was agreed to :—

“The committee recommends that a conference of representatives of the Patent Offices of His Majesty's Dominions shall be held in London at an early date to consider the practicability of instituting a system of granting patents which should be valid throughout the British Empire.”

### NATIONALITY

A memorandum prepared in the Home Office with reference to the nationality of children of British parents born abroad was considered by a special committee, under the chairmanship of the Secretary of State for the Colonies, and the following resolution, which was finally approved by the main Conference, was adopted :—

“The committee, having considered the memorandum prepared in the Home Office regarding the nationality of the children born abroad of British parents, commends the principle of the proposals contained therein to the favourable consideration of the Governments of the Dominions and India.”

### CONDOMINIUM IN THE NEW HEBRIDES

The condominium in the New Hebrides was discussed by a special committee under the chairmanship of the Secretary of State for the Colonies.



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## ADDRESS TO THE KING

The Prime Minister was asked by the members of the Conference to present on their behalf a humble address to His Majesty the King.

## THANKS TO THE PRIME MINISTER

The Prime Ministers of the Dominions and the representatives of India desire to put on record their deep appreciation of the large amount of time and work devoted in a time of heavy strain by the Prime Minister and his colleagues in His Majesty's Government to the Conference. They look with great satisfaction upon their meetings, which have, in their opinion, made clear the lines of common action in Imperial and foreign affairs, and still more firmly established the free co-operation of the peoples of the Commonwealth.

## APPRECIATION OF WORK OF SECRETARIAT

The Prime Ministers of the Dominions and the representatives of India desire to put on record their great appreciation of the work of Sir Maurice Hankey and other members of the British Secretariat. They consider that his efficiency and that of his staff have contributed in an invaluable degree to the success of the Conference, and they hope that his assistance may be available at future sessions for many years to come. The Prime Minister of the United Kingdom and his colleagues also desire to express on behalf of the British Secretariat their warm acknowledgment of the cordial and most efficient co-operation of the Dominion and Indian representatives on the Secretariat.

## IRELAND

FOR the moment things are better in Ireland, an improvement due to the much discredited Act. The changes involved by that measure have affected conditions which threatened to become chronic. To begin with, an obvious occasion was provided for a change at the Castle. Control of Irish affairs had practically passed from the Viceroy to the Secretary of State. Resolute, brave and loyal to subordinates as he is, Sir Hamar Greenwood has little perception of the deeper currents of British opinion which affect the course of events more than the wind or waves on its surface. He himself was largely in the hands of subordinates selected to execute a policy of force. The appointment of Lord Edmund Talbot as Viceroy under the title of Lord Fitzalan was quickly followed by signs that an anticyclone was at hand. On May 2 he was installed at the Castle. On the following day Mr. de Valera announced that the Dail Eireann would recognise the elections under the Act for the purpose of affording the people of Ireland a chance to record their opinion. The Irish Republic, he added, was willing to concede autonomy to the North in matters affecting the North alone. Sir James Craig replied by inviting Mr. de Valera to lead his quota on the Council of Ireland and there discuss all matters common to Ireland as a whole. Their positions were thus placed in antithesis, and the Dublin correspondent of *The Times* declared that the time was now ripe for a conference. On the same day Sir James Craig visited Dublin to see Lord



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Fitzalan. It was presently known that Sir James Craig had allowed himself to be taken blindfold to Mr. de Valera's retreat, and that Mr. de Valera had asked for the meeting. On May 5 Captain Herbert Dixon, M.P., commended his leader's action in a speech at Belfast, and Sir James Craig announced that he stood for a policy of construction. Writing in the *Irish Independent* on May 7 Mr. de Valera, while asserting his claim to the Unity of Ireland, referred to Ulster in conciliatory terms.

Meanwhile the spirits of the storm seemed to regard this faint break in the cloud as a warning to redouble their energies. Wholesale destruction of property and life has never been greater than in May, June and the first eleven days of July.

Appeals from moderate quarters to suspend the Southern elections were rejected by the Government—wisely, as the event has shown. The appeals were based on the plea that moderates would not venture to offer themselves for election. The nominations which took place on May 12 proved that this forecast was true. For 128 seats four were moderates nominated by Trinity College “to work for a united Ireland.” The four members for the National University were of course nominated in the interest of Sinn Fein. The remaining 120 were candidates nominated by the Republican leaders. In Donegal one independent candidate was nominated, but withdrew at the last moment. The whole of the elections were thus uncontested. Several women were returned, including the Countess Markievicz, Mrs. O’Callaghan, wife of the murdered Mayor of Limerick, and Mrs. Pearse, the mother of the leader of the Easter rebellion.

These figures tell their own tale. No one with an elementary knowledge of Irish opinion supposes that 97 per cent. of the electorate of Southern Ireland are in favour of continuing the struggle until the six Northern counties have accepted a republican status, with such measure of local autonomy as a republican Government might see fit

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to concede. Those in Southern Ireland, who recognise that this would open a fresh and more deadly chapter of war, and are anxious for a settlement more stable because more moderate, are vastly in excess of 3 per cent. The followers of Lord Midleton are estimated at from three to four hundred thousand, and unless the members for Trinity sit in the Dail the old Unionist and Nationalist parties will remain without a single spokesman. Labour, moreover, is little if at all represented in the selection prescribed by Sinn Fein. As Mr. Stephen Gwynn remarked some weeks later (*Observer*, July 24), "No real revolutionary believes in self-determination any more than Lenin or Trotsky did. They believe in the right of a determined minority to guide. The weaker brothers may be more numerous; but they must not be the determining factor in self-determination."

In the North of Ireland there were 52 seats grouped under proportional representation into 8 constituencies. These were contested by 77 candidates in all. At the elections which took place on May 24, 40 Unionists were returned, 6 Republicans, and 6 Nationalists, followers of Mr. Devlin. These 12 were all pledged not to sit in the Northern Parliament but to join the Dail Eireann elected in the South. The result, far more favourable to the Unionists than the Local Government elections of 1920 had led either party to expect, was ascribed by the *Irish Bulletin* to intimidation. We have no means of verifying charges made by the propaganda department of Sinn Fein. Fears that the elections would occasion widespread disturbances were not realised. Some faction fights took place, not only between the followers of Craig and their opponents, but also between those of de Valera and Devlin.

On the following day, May 25, the Dublin Custom House, designed in the eighteenth century by James Gandon and perhaps the finest building in Ireland, was burned to the ground by orders of the Dail Eireann. The *Irish Bulletin* was at some pains to justify the act on the ground that the



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destruction of the revenue and local government records would paralyse government. Opinion in Ireland received a perceptible shock and several papers had the courage to protest. On the 28th Government announced its intention of greatly strengthening the troops in Ireland which already numbered no less than 50,000.

On June 7 the opening of the Ulster Parliament was attended by the 40 Unionist members and Sir James Craig assumed office as Prime Minister, with Mr. Pollock as Minister of Finance, Sir R. Dawson Bates in charge of Home Affairs, Mr. J. M. Andrews as Minister of Labour, Lord Londonderry as Minister of Education, and Mr. E. M. Archdale as Minister of Agriculture and Commerce. At a public luncheon Lord Fitzalan commented on the fact that young men were taught by their leaders not to regard murder as a sin. Dealing with the question of unauthorised reprisals his remarks were no less courageous and weighty :—

The force in this country commonly called the "Black and Tans" are accused of committing serious and grave crimes. Yes; but it is unjust to say that because crimes have been committed the whole force should be, so to speak, charged as being guilty of these crimes. That is not justice. It is true—let us be frank about these things—that crimes, horrible crimes, have been committed by members of this force. You may find explanations, but there is no excuse for any force committing these crimes. Provocation? Yes. Explanation? Yes. This force was hastily enlisted and hurriedly set to work without proper discipline. Mistakes, no doubt, have been made owing, perhaps, to the great hurry. None the less these crimes have been committed, but not by the force as a whole, and I shall be very much surprised if we hear in the future of any such offences being committed by them again.

Even more important was the passage in which he went on to say that the Act constituting the new Government wanted amending already. He would not be surprised, he added, if it was amended in the near future.

To these words Lord Donoughmore drew attention in

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the House of Lords on June 16. In view of the new position they created, he asked the Government to say what amendments to the Act they would introduce, and argued in favour of making once for all every concession which could in practice be made. Several Peers followed in support and the debate was adjourned on the motion of Lord Salisbury till June 21.

In *The Times* of June 21 a letter was published by 19 members of the Senate of Southern Ireland\* declaring that the Act gave insufficient powers, and ought to be amended as forecasted by the Viceroy. They declined to take any part in Crown Colony Government. A sharp division in the Cabinet was announced in the same issue. Sir Hamar Greenwood was named as the champion of repression, Lord Birkenhead as the advocate of conciliation. The Prime Minister was to return from Chequers that afternoon and decide the issue at a Cabinet meeting upon which the continued unity of the Government might depend. As the public was mystified by the sequel, it is well to mention that no Cabinet meeting was held on June 21. The policy of the Government had been settled at a series of Cabinet meetings some time before.

That afternoon the debate was resumed by Lord Salisbury in a speech opposed alike to the policy of the motion and that of the Government. He was followed by Lord Desart and the Earl of Dunraven, both in support of Lord Donoughmore's motion. The Lord Chancellor then rose to reply, and in view of the reports published that morning his speech came as a surprise. Lord Fitzalan, he said, had announced no change of policy but had only referred to minor amendments. Lord Donoughmore had said that no

\* Desart, De Freyne, Donoughmore, Dunraven, W. J. Goulding, Granard, Holmpatrick, Inchiquin, Walter M. Kavanagh, Kenmare, Mayo, Bryan Mahon, Middleton, Oranmore and Browne, Powerscourt, Rathdonnell, Sligo, Thomas Stafford, Wicklow.

The following did not sign: The Lord Chancellor, the Archbishops of Armagh and Dublin, Lord Cloncurry, Lord Meath, Mr. L. A. Waldron, Lord Westmeath, and the Lord Mayors of Dublin and Cork.



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parliament in the Empire would accept the financial provisions of the Act. Ulster had accepted them.

We must here pause in our account of the speech to remark that this statement requires some qualification. The fundamental position of the Ulster members in the Imperial Parliament has always been that they desire no change in the existing union. Yielding to the urgency of the Government they accepted the proposals now embodied in the Act. Though not satisfied with the financial provisions they withheld their criticism so as not to embarrass the Government to which they had given their support. But Lord Birkenhead must be aware that those in charge of the Ulster finances do not believe that revenues have been placed at their disposal adequate to the duties imposed on them. Averse to measures involving customs barriers between Great Britain and Ireland, financial experts in the North hold that in the initial stages at any rate more revenue must be placed at its disposal than the Act provides. Lord Birkenhead's answer was true only in form.\*

Returning now to his speech, he went on to affirm that "the actual fundamental fact of the situation is the difference between North and South." He admitted the failure of military methods in the last few months, but asserted that Government was prepared to take whatever measures might be required to redress this failure. If in fiscal matters Great Britain, Northern and Southern Ireland were made independent of each other by statute, the voters in all three areas would refuse to accept the position. Mere financial obstacles to a settlement within the Empire would not be allowed to stand in the way. But the claims of Sinn Fein had never been put on mere grounds of finance. And how was the Government to find any one with whom to make the terms proposed ?

There will be no peace till an adjustment is made, if indeed

\* See below.

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that be possible, with those actually carrying on, or inspiring, the policy of violence. Government has been asked,' he went on to say, 'to put their cards on the table. In other words, it is said, our intentions should be clearly and conclusively made plain. It is our deliberate judgment that any financial arrangement which would produce the kind of competition in the field of tariffs which I have indicated, or was likely to lead to a repudiation by the Parliaments of Ireland of her share in the National Debt would be mischievous, unsound and indefensible.'

Deeper still was the note of gloom upon which the Lord Chancellor closed :—

When I am asked if there is any hope, I reply that while none can be assigned for a week or a month, and perhaps for many months, we may nevertheless discover some reassurance in the history of our long relations with Ireland. . . . I would remind those who doubt, at this time or another, of the fortunes of the struggle, of those moments, frequently recurrent, charged with gloom, in the great war in which no man could confidently state the moment of success, though few of our blood doubted the ultimate certainty of success. I profoundly hope that even at the eleventh hour wiser counsels will prevail, but should we be forced to the melancholy conclusion that by force, and by force alone can these mischiefs be extirpated, it is a conclusion which, however sorrowfully, we shall accept, and upon which we shall not hesitate logically and completely to act.\*

On June 22 the King and Queen were welcomed in Belfast with a passion and enthusiasm which republican Ireland has not attempted to minimise. In the actual terms of the speech which the King addressed to the Parliament of Ulster there is nothing which cannot be reconciled with those of Lord Birkenhead's speech. But the tone was utterly different, and His Majesty's words fell like chords from a 'cello on ears which had just been listening to the ruffle of drums.

**The eyes of the whole Empire are on Ireland to-day—that Empire in which so many nations and races have come together in spite of ancient feuds, and in which new nations have come to birth**

\* Lord Birkenhead's explanation will be found in a speech delivered in the House of Lords on August 10.



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within the life-time of the youngest in this hall. I am emboldened by that thought to look beyond the sorrow and the anxiety which have clouded of late my vision of Irish affairs. I speak from a full heart when I pray that my coming to Ireland to-day may prove to be the first step towards an end of strife amongst her people, whatever their race or creed.

In that hope I appeal to all Irishmen to pause, to stretch out the hand of forbearance and conciliation, to forgive and to forget, and to join in making for the land which they love a new era of peace, contentment and goodwill. It is my earnest desire that in Southern Ireland, too, there may ere long take place a parallel to what is now passing in this hall ; that there a similar occasion may present itself and a similar ceremony be performed.

For this the Parliament of the United Kingdom has in the fullest measure provided the powers ; for this the Parliament of Ulster is pointing the way. The future lies in the hands of my Irish people themselves. May this historic gathering be the prelude of a day in which the Irish people, North and South, under one Parliament or two, as those Parliaments may themselves decide, shall work together in common love for Ireland upon the sure foundation of mutual justice and respect.

The Prime Minister was quick to perceive that these words vibrated in unison with the public mind. He instantly telegraphed to Sir James Craig a message containing a sentence the importance of which has been scarcely noticed : "The Government of Ireland Act has put the future of Ireland in the hands of her own people, provided only that Southern Ireland renounces its claim to secession from the Empire."

And so that eventful day passed. In the privacy of their homes a reticent people prayed for their King and Queen as they took their risks, and broke into open thanksgiving when the following day restored them in safety to English shores. Their feelings were fitly expressed in the Prime Minister's message to the King published in the Press on the following day :

June 24.—None but the King could have made that personal appeal ; none but the King could have evoked so instantaneous a response. *No efforts shall be lacking on the part of your Ministers to bring Northern and Southern Ireland together in recognition of a*

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*common Irish responsibility*; and I trust that from now onwards a new spirit of forbearance and accommodation may breathe upon the troubled waters of the Irish question.

His Majesty replied: The Queen and I have received with warm gratitude your message of congratulation upon the happy conclusion of our visit to Belfast.

We are moved beyond expression, not only by the enthusiastic greeting given to us in North Ireland, but also by the general reception in all quarters of the words which I spoke, and spoke with all my heart.

Those services to my people, to which you so generously refer in your message, will be more than amply rewarded if they assist in any way the efforts of my Government to bridge over the unhappy differences standing between the Irish people and that peaceful settlement for which the whole English-speaking world so earnestly looks.

That night a courier was on his way to Dublin with the following letter to the Republican leader, while another was travelling to Belfast with a letter in similar terms to Sir James Craig.

10, Downing Street, S.W.

June 24, 1921.

SIR,—The British Government are deeply anxious that, so far as they can assure it, the King's appeal for reconciliation in Ireland shall not have been made in vain. Rather than allow yet another opportunity of settlement in Ireland to be cast aside, they feel it incumbent upon them to make a final appeal, in the spirit of the King's words, for a conference between themselves and the representatives of Southern and Northern Ireland.

I write, therefore, to convey the following invitation to you as the chosen leader of the great majority in Southern Ireland, and to Sir James Craig, the Premier of Northern Ireland:—

1. That you should attend a conference here in London, in company with Sir James Craig, to explore to the utmost the possibility of a settlement.
2. That you should bring with you for the purpose any colleagues whom you may select.

The Government will, of course, give a safe conduct to all who may be chosen to participate in the conference.

We make this invitation with a fervent desire to end the ruinous conflict which has for centuries divided Ireland and embittered the relations of the peoples of these two islands, who ought to live in



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neighbourly harmony with each other, and whose co-operation would mean so much, not only to the Empire, but to humanity. We wish that no endeavour should be lacking on our part to realise the King's prayer, and we ask you to meet us, as we will meet you, in the spirit of conciliation for which His Majesty appealed.

I am, Sir,

Your obedient servant,

E. de Valera, Esq.

D. LLOYD GEORGE.

But the Prime Minister had already given earnest of the promise made in his message to the King. On the evening of the day that His Majesty visited Belfast Mr. de Valera was taken in a raid on a house at Blackrock. Having changed his appearance he remained unrecognised till the prisoners were examined at the barracks. The capture was reported to Downing Street and orders were returned with equal promptitude to release him. The proverbial accident which blights the hopes of Irish peace at the eleventh hour was in this case avoided, and the Republican leader was set free to receive before many hours had passed the momentous letter as the leader of his party.

The new departure was greeted with general approval by the Liberal and Labour leaders and press. All parties in Great Britain were thus united on the Irish question as never before. A world of blood and tears will be saved if this unity is maintained.

Sir James Craig lost no time in replying that the letter from Mr. Lloyd George should be laid before his cabinet on the following Tuesday, June 28. On that day they resolved to accept the invitation, and informed Mr. Lloyd George that the whole cabinet, with the exception of the Minister for Home Affairs, would accompany their chief. Mr. de Valera's answer was also telegraphed to Mr. Lloyd George on June 28. His message was to the effect that he saw no hope of peace "if you deny Ireland's essential unity and set aside the principle of national self-determination. Before replying more fully to your letter I am seeking a conference with certain representatives of the political minority in this country."

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He also published the following letter :—

To Sir James Craig,  
The Earl of Midleton,  
Sir Maurice E. Dockrell,  
Sir Robert H. Woods,  
Mr. Andrew Jameson.

A CHARA,—The reply which I, as spokesman for the Irish nation, shall make to Mr. Lloyd George will affect the lives and fortunes of the political minority in this island, no less than those of the majority.

Before sending that reply, therefore, I would like to confer with you and to learn from you at first hand the views of a certain section of our people of whom you are representative.

I am confident that you will not refuse this service to Ireland, and I shall await you at the Mansion House, Dublin, at 11 a.m. on Monday next in the hope that you will find it possible to attend.

Mise,

(Signed) EAMON DE VALERA.

On the same day, June 28, the formal opening of the Southern Parliament was attended by the four members for Trinity and the members of the Senate. The members were informed that the Southern Parliament could not be constituted unless the oath were taken by at least half the members within fourteen days.

Mr. de Valera's invitation was accepted by all the Unionists except Sir James Craig, who declined on the ground that he had already accepted Mr. Lloyd George's invitation to meet Mr. de Valera in London. It must be remembered that Sir James Craig had not hesitated to see Mr. de Valera in Dublin, though he had to be taken to his presence with a bandage round his eyes. To see him there, as Prime Minister of Northern Ireland, after he had accepted Mr. Lloyd George's invitation to meet him in London, would have been taken in Ulster as tantamount to conceding his whole position before the first word of negotiations had been spoken. Sir James Craig would have lost control of his followers at the very moment when, in the interests of peace, it was most important to maintain that control. If Mr. Lloyd George, Sir James Craig and Mr. de Valera



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had nothing to consider but their own personal views and feelings they could probably agree within twenty-four hours. Had the representatives of the Allies in Paris been able to speak for themselves alone, they might easily have framed an excellent peace. As it was each was obliged to consider a public opinion inflamed by passion and blind to any case but its own. And so it is in the case of Ireland.

Mr. de Valera's rejoinder to Sir James Craig's refusal was as follows :—

Mr. Lloyd George's proposal, because of its implications, is impossible of acceptance in its present form. Irish political differences ought to be adjusted, and can, I believe, be adjusted, on Irish soil ; but it is obvious that in negotiating peace with Great Britain the Irish delegation ought not to be divided, and should act as a unit on some common principle.

De Valera's invitation was accepted by Lord Midleton and the other Unionists to whom it had been addressed. On June 30 several of the Sinn Fein leaders, including Professor John McNeill and Mr. Griffiths, were released on the initiative of the Government, which desired no doubt that de Valera should have every opportunity of discussing the situation with the other leaders of his party.

The meeting between the Republican leader and the Southern Unionists took place on Monday, July 4. A passionate desire for peace could be read between the lines of the Irish Press, free once more to reflect the real trend of public opinion. The verdict of private observers all points in the same direction. But the spectacle of hundreds in the vast concourse which surrounded the Mansion House during the conference kneeling in prayer is evidence of a more unmistakable kind. The conference adjourned till Friday, July 8. Lord Midleton at once returned to London, saw the Prime Minister and reported that the situation was not without hope. From subsequent events we know that the conference turned upon whether de Valera would meet Mr. Lloyd George and on the question of a truce.

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The conference was quickly followed by a visit from General Smuts, who arrived in Dublin on Tuesday, July 5, and was back in London on Thursday. The desire widely expressed in Ireland that General Smuts should visit Dublin, in response to which the visit was made, can be readily understood. General Smuts had been one of the leaders in a desperate struggle to maintain for his country the status of a republic independent of the British Commonwealth. He and General Botha had helped to settle the terms of peace at Veerining, to find themselves a few years later in a position of greater authority in the Transvaal than they had filled under President Kruger. General Smuts is now ruler of all South Africa and the strong exponent of a policy which asserts on the one hand its independence as an international unit, and on the other hand the maintenance of its place in the British Commonwealth on a footing of equality with Great Britain. And in this he is supported by a majority which includes British as well as Dutch. What passed between him and de Valera may never be revealed even to historians. But his record is so well known that Irishmen must have been able to foresee the direction which his counsels would take, and the demand for his presence in Dublin was evidence of the widespread anxiety for peace, which was further attested by the *Times* correspondent. He added that for some days there had been no reprisals, official or otherwise. He observed next day (July 7) that Sinn Fein was discovering that Ireland cared more for unity than for a republic. A stage had been reached at which Ireland began to think for itself, when it mattered not only what Sinn Fein thought, but also what Ireland thought. It was clear too that this nascent public opinion demanded a truce to the ferocities which Republicans and Loyalists continued to perpetrate on each other in South and North. At the Liverpool celebrations in honour of the Prince of Wales Sinn Fein flags were intertwined with the Union Jack "by orders from Dublin."



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On July 7 the following letter was addressed to Lord Midleton by Mr. Lloyd George :—

In reference to the conversation I had with you this morning, the Government fully realise that it would be impossible to conduct negotiations with any hope of achieving satisfactory results if there is bloodshed and violence in Ireland. It would disturb the atmosphere and make the attainment of peace difficult.

As soon as we hear that Mr. de Valera is prepared to enter into conference with the British Government and to give instructions to those under his control to cease from all acts of violence, we should give instructions to the troops and to the police to suspend active operations against those who are engaged in this unfortunate conflict.

Next day de Valera resumed his conversations with Lord Midleton and his colleagues, and again the Mansion House was surrounded by kneeling crowds. The conference was adjourned to allow of the attendance of Sir Nevil Macready. The description given by the *Irish Bulletin* (Vol. 5, No. 32 of July 14, page 5) of the scene which greeted his arrival is interesting. "His arrival was regarded by the thousands gathered outside the building as conclusive evidence of the cessation of the terror which for twelve months he has directed, and as he mounted the steps cheering broke from the people." But the terror established by General Macready's forces was not the only terror from which the Dublin crowd yearned for release.

A special issue of the *Irish Bulletin* published at 9 p.m. made the following announcement :—

At its previous session the conference had expressed the view that it would be impossible to conduct negotiations with any prospect of achieving satisfactory results unless there was a cessation of bloodshed in Ireland. A letter from Mr. Lloyd George was read concurring in this view, and indicating the willingness of the British Government to consent to a cessation of active operations on both sides. . . . It is expected that an announcement of a truce to take effect on Monday next will be made early to-morrow.

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De Valera's willingness to meet the Prime Minister in London was signified in the following letter :—

Mansion House, Dublin.

*July 8, 1921.*

The Right Hon. David Lloyd George,  
10, Downing Street.

SIR,—The desire you express on the part of the British Government to end the centuries of conflict between the people of these two Islands and to establish relations of neighbourly harmony is the genuine desire of the people of Ireland.

I have consulted with my colleagues, and secured the views of representatives of the minority of our nation in regard to the invitation you have sent me. In reply, I desire to say I am ready to meet and discuss with you on what basis such a conference as that you proposed can reasonably hope to achieve the object desired.

I am, sir,

Faithfully yours,

EAMON DE VALERA.

On Saturday, July 9, a truce to come into force at noon on the following Monday was announced. De Valera issued a proclamation briefly calling upon his followers to obey the truce and closing with the words, "Should force be resumed against our nation, you must be ready on your part once more to resist. Thus alone will you secure the final abandonment of force, and the acceptance of justice and reason as the arbiter." That day Lord Derby announced to a Unionist gathering that he would support a settlement providing for complete control of taxation by Ireland on condition that Irish obligations for the National Debt were properly recognised. On Monday the Prime Minister's answer to de Valera was conveyed in the following telegram :—"I have received your letter of acceptance, and shall be happy to see you and any colleagues whom you wish to bring with you at Downing Street any day this week. Please wire the date of your arrival in London."

For the moment, however, the issues of peace or war were felt to depend less on the conference than on the question whether the truce would be operative. In



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Dublin the omens were good. There the troops and even the Auxiliaries fraternised with the crowds in the streets. In the North and South the outlook was exceedingly black. July 12, the anniversary of the Battle of the Boyne, is always a perilous season in Belfast, and trouble there was already in full swing. On July 6 three Catholics were murdered in the neighbourhood of Newry. On the same day two constables on duty in Belfast were attacked by a party of the I.R.A. and seriously wounded. On July 9 one constable was killed and two others wounded in a Crossley tender, while patrolling the streets after curfew. Reinforcements arrived, and heavy firing then took place in the dark. At dawn on Sunday a number of houses in the area affected were found to be on fire. Desultory firing continued during the morning, and serious riots broke out in the afternoon. That day no fewer than 15 persons lost their lives. Many others were killed and wounded in the disturbances which continued all that week. Mr. Grant, a Labour member of the Ulster Parliament, who was trying to restore order, was shot through the body, but is now recovering. Numerous houses were burned in the Catholic quarter. As usual in such conditions, the criminal element broke loose and took to looting. In the course of the week the town was occupied by troops. A significant fact was the withdrawal of the Special Constabulary, a force said to be recruited mainly from Orangemen. The members of the new Government were strenuous in their efforts to prevent disorder.

Elsewhere in Ireland the reign of violence seems to have stopped dead at noon on July 11. The following announcement appeared in the *Times* of the 12th :—

The last two days before the truce were, unhappily, fruitful in deeds of violence and crime. Most of these acts were committed in the South of Ireland. They include the murder of Mr. George B. O'Connor, a well-known citizen of County Cork, who formerly was active in Unionist politics, and was a candidate for one of the divisions of the City of Dublin.

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Last night, according to an official report, a curfew patrol, while on duty in Castle Island, County Kerry, was attacked by a large number of armed civilians. Three of the soldiers were killed, and three others were wounded. The military believe that four of the rebels were killed.

At 8.30 this morning Constable A. T. Clarke, while walking to his lodgings in Skibbereen, was attacked by four armed men and shot dead. He was a married man with 34 years' service in the force. At 3.30 this morning a police patrol was ambushed at Baileboro, Co. Cavan, and a constable was wounded in the eye. The police pursued their attackers and wounded and arrested two of them.

On Saturday night five armed men called at a house near Clonmel, Co. Tipperary, and asked for Michael Dillon, an ex-soldier. Dillon did not come out, and the raiders fired into the house, killing Dillon's 15-year-old sister, Bridget, who was standing inside the door.

At half-past ten o'clock last night four unarmed soldiers were kidnapped in the streets of Cork. At 10 o'clock this morning their dead bodies were found in a field near St. Fin Barr's Cemetery. Three of them had been blindfolded, and all had been killed by shots. Two of the soldiers belonged to the South Staffordshire Regiment.

This morning, at 3 o'clock, John Paynton, a farmer, of Kilbride, Portarlinton, was taken from his bed and shot dead by two armed and masked men. The body of a man found near Tullamore yesterday has been identified as that of Eric Stedman, an ex-soldier, of Birmingham. He had been shot dead.

Private Letter, of the Machine Gun Corps, who was unarmed, was shot dead last night near Doneraile, County Cork. Sergeant James Kenny, R.I.C., was shot dead this morning by two unknown men in Castlereagh.

On July 14 the *Irish Bulletin* referred to the matter in the following terms :—

*Brisk fighting on the eve of truce.*

Fighting continued right up to the stroke of 12 noon on July 11. In the thirty-six hours from midnight on the 9th to the beginning of the truce there were thirty-four engagements, and it was in these hours that more than half the casualties suffered by the British forces in the eight and a half days were inflicted.

On July 14 Mr. de Valera, who had now reached London with several of his colleagues, was closeted alone for two hours and a half with Mr. Lloyd George. Their conversa-



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tion was renewed next day, and, as in Dublin, Irish crowds were to be seen kneeling in the streets outside the Prime Minister's house. In the afternoon the Prime Minister had a talk with Sir James Craig. His third meeting with Mr. de Valera took place on the following Monday (July 18), and he afterwards saw the Ulster Cabinet. Throughout these days Mr. de Valera, in various interviews and announcements, continued to assert his fundamental claims to independence, self-determination, and the right to control Ulster, in terms which were more or less vague. On the 19th, Sir James Craig and his colleagues, leaving Lord Londonderry to watch their case, returned to Belfast, after publishing the following communication :—

I am returning home well satisfied with the efforts being made towards peace. Mr. de Valera has broken silence and cleared the ground by his statement to this (Monday) morning's Press that he proposes to found his claim upon the recognition of the right of "self-determination." By an overwhelming majority at our recent election—the constitutional method of expressing "self-determination"—the people of Northern Ireland have "determined" their own Parliament, which was opened by his most gracious Majesty in person.

Mr. de Valera and his colleagues have already admitted the right of such "self-determination" on the part of Northern Ireland by the fact that they themselves stood as candidates for the Northern Parliament, and submitted their policy of "no partition." This was the only issue placed before the electorate, and "no partition" was rejected by the largest majority which, as far as I am aware, has ever been secured at a general election in any part of the world.

Such being the true facts, it now merely remains for Mr. de Valera and the British people to come to terms regarding the area outside of that of which I am Prime Minister. The people of Northern Ireland, on behalf of whom I speak, while claiming in the the most absolute way possible—as has been done—to "determine" their own fate, *do not make any claim whatever to "determine" the terms of settlement which Great Britain shall make with Southern Ireland.*

When this is accomplished I can promise cordial co-operation on equal terms with Southern Ireland in any matters affecting our common interest. Having reached the present stage I go back to Ireland to carry on the practical work of government. I feel that our

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interests are ably represented in the Imperial Parliament, and, of course, our services are available at any moment.

This announcement, accepted without protest by his followers, will rank as a master stroke on the part of the leader who made it. The words printed in italics may well prove the greatest and most definite step yet taken in the settlement of the Irish question. So far Ulster has always claimed the right to set limits to the degree of autonomy accorded to the rest of Ireland, just as the South has always insisted on the right to subject Ulster to an all-Irish majority. In these words the first Government of Ulster once for all abandons the claim. It sets the British Government free to make what terms it will with the South, provided that those terms do not affect the statutory powers given to the North. We had hopes that Sir James Craig, when able to speak as accredited ruler of Northern Ireland, might have got into touch with the leaders of Sinn Fein and have outlined terms which North and South could have agreed to present to the British Government as a basis of settlement. But the action of Mr. de Valera in treating the Prime Minister of Northern Ireland on exactly the same footing as four Unionists specified by himself with no official position whatever closed that avenue. The Republican leader, determined to insist on his claim to speak for the whole of Ireland, so handled the matter that preliminaries had to be discussed between himself and the British Government and certain agreements had to be arrived at before he would consent to meet the Government of the North. Accordingly the British Cabinet sat for hours on the afternoon of July 20 to decide what terms should be offered. The decision was communicated to Mr. de Valera next day, who returned with his colleagues to Dublin. When asked to address a crowd from the Mansion House steps he vouchsafed the following words :—

This is not a time for talk. We have learned one magnificent



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lesson in Ireland in the last couple of years, and that is that it is by acts, and not by talk, that a nation will achieve its freedom. I do not want, therefore, to begin a bad example by starting speech-making. If we act in the future as we have acted for the last couple of years we will never have to talk about freedom, for we will have it.

According to the *Times* (July 23) the wish was expressed by Mr. de Valera that the terms might not be published until he had fully consulted his colleagues. They were sent of course to the Ulster Cabinet, and before these lines are printed off our readers will probably know what they are.

In answer to a question put by Lord Salisbury in the House of Lords on July 27, the Lord Chancellor outlined the course of the negotiations.

Some days ago (he said) summarised but, he hoped, intelligible proposals were made by the Government to the representatives of Southern Ireland which it was hoped might serve as a basis of reconciliation and of peace. If the terms were accepted, it would be necessary to embody them in the form of an Act of Parliament, and they would be discussed in that form. If the proposals were accepted, they would be in no way anxious to postpone discussion on matters indicated by Lord Salisbury, and would not only welcome but challenge criticism. If, on the other hand, the proposals were not accepted, it would be necessary that Parliament and the country, and the world in general, should be acquainted with the nature and statement of those proposals which had been addressed to the representatives of Southern Ireland.

The matters contained in the proposals (he continued) are of high consequence, and will be much discussed. Our position as a Government is, of course, plain. We shall recommend them, if they be accepted elsewhere, to Parliament as our proposals. We shall either meet with the necessary support for them in Parliament or we shall fail. If we fail naturally it will be proper for us to consider whether the necessary support is likely to be forthcoming elsewhere.

The hint that an appeal might be made to the country referred doubtless to the secession of several Unionist members from the Coalition supporting the Government. So far, however, the movement has not been on a scale likely to threaten its position. In continuing the discussion

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Lord Crewe asked: "Then it is not a case of definite terms, and take them or leave them?" "No," was the Lord Chancellor's reply, "that is not so." From these words we need not, however, infer that the Government has offered anything short of the most generous terms which any British Government could offer and also deliver. Proposals at this stage must of necessity be made in outline. If the outline is accepted there is ample room for give and take in the settlement of the details.

The key to the Ulster position will be found in the pronouncement made by Sir James Craig, the text of which is given above. The Northern community has finally renounced all claim to question or meddle with any terms offered to the South. But the feeling roused by the ruthless struggle of the last two years seems to preclude all hope that Ulster will commit herself at this stage to partnership with the South. In the *Daily Telegraph* for August 5 its Belfast correspondent makes the following remarks:—

If the South of Ireland accept fiscal autonomy and the Government gives the South more money, Ulster has an obvious right to demand reconsideration of her financial position. Her share of the Imperial liabilities—44 per cent. of £18,000,000 for each of the first two years—was fixed at a time of inflated war prosperity, when Belfast industries were booming. To-day they are feeling the trade depression which is world-wide, and the revision of the financial provisions of the Act will be due to Ulster if the South gets fiscal autonomy. The North of Ireland is not keen on fiscal autonomy for any part of Ireland, but this question will not be a stumbling block to fiscal peace so far as Ulster is concerned, provided the Parliament is left alone.

In the issues of the *Daily Telegraph* of August 4 and 5 it is indicated that Mr. de Valera has tried through an intermediary to arrange a meeting with Sir James Craig in Ireland. The *Morning Post* of August 5 states that "there is a formal minute of the Ulster Cabinet which puts on record that any conference must be held in accordance with the terms of the British Premier's invitation." In



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other words Sir James Craig has offered to meet Mr. de Valera with Mr. Lloyd George in London in accordance with the original invitation issued by the latter and will not depart from that position. Meanwhile Mr. de Valera has summoned the Dail Eireann for August 16 to discuss the terms. Mr. de Valera adopts the line that the members elected for the North as well as the South are members of the Dail and will summon them accordingly. The six Republican and six Nationalist followers of Mr. Devlin will respond. The Unionist members are pledged to ignore the summons.

A welter of propaganda fills the papers on either side, but the various statements quoted above may be taken as substantially correct. A strike on the Irish railways is also threatened, which will scarcely improve the prospects of peace if once it begins. A latent antagonism between Labour and Sinn Fein is another disturbing factor.

But a serious hitch has occurred at the moment of our going to press. On the 7th it was announced that Government would release all members of the Dail in confinement, with the single exception of Mr. J. J. McKeon, who has been convicted of murder. The other 38 have been released. McKeon's crime was that of shooting a District Inspector who was at the head of a party who had come to arrest him. Members of the Auxiliary Police force testified at his trial that he had refused to allow wounded men to be shot in cold blood by members of the I.R.A. It is stated that unless McKeon is released, either the Dail will refuse to meet, or, if it meets, that the atmosphere will render a settlement impossible. It is even added that Sinn Fein may possibly give forty-eight hours' notice to terminate the truce.\*

If once the peoples of North and South are severally established, each as the masters of their own house, the Union of Ireland under one autonomous Government might be established in a few years just as the Union

\* McKeon was released on August 9.

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of South Africa is. If the leaders of the South can accept no settlement now which does not bring Ulster within the jurisdiction of Dublin, there will be no settlement; and the child is not yet born who will live to see a united Ireland. You cannot make peace by opening a fresh and bloodier chapter of war. Under British institutions, with one virtual exception, the junction of self-governing units has never been effected by an Act of Parliament over-riding the will of one of the communities joined. The Union of Great Britain and Ireland is that one virtual exception, despite the fact that the legal consent of the Irish Parliament was managed. The precedent is too ominous to be followed again. We may safely add that it never will be followed. With Ireland as with America, England attempted to base her relations on a principle contrary to her own being. She tried to unite by force what could only be united by conscious consent deliberately given. She tried the impossible, and to-day Ireland is the grave of her first opportunity. She knew not the day of her visitation.

Restraint is the first duty of anyone who, at this juncture, writes or speaks on Irish affairs. In our narrative there is much that is left unsaid, and no reference is here made to some terrible facts now known to the public. Under normal conditions the first duty of the Press is to throw the fullest light on events. When a vast conflagration has been checked, naked lights are not to be carried by those who explore vaults which contain still unexploded barrels of powder. But if we are sparing of comment let us add that after following events closely since the last article was written we see no reason to modify the views it expressed. Our opinion of the general situation, of the remedies which ought to be tried, and of their possible effects is substantially unchanged.\* Whether those remedies have been applied, and, if so, what their effect will be remains to be seen.

\* Two points in the article on Ireland in our June number have been brought to our notice as requiring correction. The first



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relates to the question of creameries. On page 503 we observed: "There is conflict of evidence as to the number damaged or destroyed. The *Irish Homestead*, the organ of the Irish Agricultural Organisation Society, in its issue of April 30, puts the number at 61, and also brings up to date the detailed statement of each case given in a previous pamphlet by 'Æ.' (Russell). An anonymous Loyalist, writing in the *Illustrated London News* of April 23, reduces the figure to 16 destroyed and 11 damaged." Exception has been taken to this statement as appearing to cast doubt on the accuracy of Mr. Russell's figures. A man in Mr. Russell's position who reveals his identity and prints details is entitled to the fullest credence as against the bare assertion of an anonymous writer. We had thought that the passage quoted above showed that we recognised this, and are sorry to find that this was not the case. Of course, we believe Mr. Russell, and shall continue to do so, unless his opponent can give equally detailed proof that the particulars given in the *Irish Homestead* were mis-stated, and will also sign his name. Incidentally we may remark that the policy of closing the creameries instead of wrecking them has since been adopted.

The second point which requires correction is on page 523, where we stated: "Five million pounds is sometimes mentioned in the North, as well as in the South, as a suitable figure" for the Irish contribution to Imperial expenses. We had here misunderstood the view which was expressed to us. We should have said that in Ulster five million pounds was suggested as a suitable contribution for all Ireland during the period of transition from the old order to the new. Our informant holds that after the first few years, when the new administration have found their feet and had time to gauge the value of the resources assigned to them, the Irish contributions ought to be ascertained by the Joint Exchequer Board as provided by the Act. We ask him to accept our apologies for this misunderstanding of his view.

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Since this article went to press a reply has been sent by Mr. de Valera to the British Government's proposals. The proposals themselves and the reply together with Mr. Lloyd George's answer have now been published, as well as a letter from the Prime Minister of Northern Ireland, and another from General Smuts. The contents of all these

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*documents are set out below. The proposals represent the extreme limit in principle to which any British Government could go.*

*Mr. de Valera's reply is profoundly disappointing. To look upon it in any other light would be to shut one's eyes to one of the most stubborn facts in a unique situation. At the same time the correspondence which appears in this morning's press (August 15) does not preclude the hope that Mr. de Valera may still refrain from taking a course which would plunge his country once more into the horrors from which all of us hoped that she had finally emerged.*

## IRISH NEGOTIATIONS

### TEXT OF DOCUMENTS

#### I

### GOVERNMENT PROPOSALS

THE British Government are actuated by an earnest desire to end the unhappy division between Great Britain and Ireland, which have produced so many conflicts in the past, and which have once more shattered the peace and well-being of Ireland at the present time. They long, with his Majesty the King, in the words of his gracious speech in Ireland last month, for a satisfactory solution of "those age-long Irish problems which for generations embarrassed our forefathers, as they now weigh heavily upon us"; and they wish to do their utmost to secure that "every man of Irish birth, whatever be his creed and wherever be his home, should work in loyal co-operation with the free communities on which the British Empire is based."

They are convinced that the Irish people may find as worthy and as complete an expression of their political and spiritual ideals within the Empire as any of the numerous and varied nations united in allegiance to his Majesty's Throne; and they desire such a consummation, not only for the welfare of Great Britain, Ireland, and the Empire as a whole, but also for the cause of peace and harmony throughout the world. There is no part of the world where Irishmen have made their home but suffers from our ancient feuds; no part of it but looks to this meeting between the British Government



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and the Irish leaders to resolve these feuds in a new understanding honourable and satisfactory to all the peoples involved.

The free nations which compose the British Empire are drawn from many races, with different histories, traditions, and ideals. In the Dominion of Canada British and French have long forgotten the bitter conflicts which divided their ancestors. In South Africa the Transvaal Republic and the Orange Free State have joined with two British Colonies to make a great self-governing Union under his Majesty's sway. The British people cannot believe that where Canada and South Africa, with equal or even greater difficulties, have so signally succeeded, Ireland will fail; and they are determined that, so far as they themselves can assure it, nothing shall hinder Irish statesmen from joining together to build up an Irish State in free and willing co-operation with the other peoples of the Empire.

Moved by these considerations, the British Government invite Ireland to take her place in the great association of free nations over which his Majesty reigns. As earnest of their desire to obliterate old quarrels and to enable Ireland to face the future with her own strength and hope, they propose that Ireland shall assume forthwith the status of a Dominion, with all the powers and privileges set forth in this document. By the adoption of Dominion status it is understood that Ireland shall enjoy complete autonomy in taxation and finance; that she shall maintain her own courts of law and judges; that she shall maintain her own military forces for home defence, her own constabulary and her own police; that she shall take over the Irish postal services and all matters relating thereto, education, land, agriculture, mines and minerals, forestry, housing, labour, unemployment, transport, trade, public health, health insurance, and the liquor traffic; and, in sum, that she shall exercise all those powers and privileges upon which the autonomy of the self-governing Dominions is based, subject only to the considerations set out in the ensuing paragraphs. Guaranteed in these liberties, which no foreign people can challenge without challenging the Empire as a whole, the Dominions hold each and severally by virtue of their British fellowship a standing amongst the nations equivalent, not merely to their individual strength, but to the combined power and influence of all the nations of the Commonwealth. That guarantee, that fellowship, that freedom the whole Empire looks to Ireland to accept.

To this settlement the British Government are prepared to give immediate effect upon the following conditions, which are, in their opinion, vital to the welfare and safety of both Great Britain and Ireland, forming as they do the heart of the Commonwealth:—

I. The common concern of Great Britain and Ireland in the

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defence of their interests by land and sea shall be mutually recognised. Great Britain lives by sea-borne food; her communications depend upon the freedom of the great sea routes. Ireland lies at Britain's side across the sea-ways north and south that link her with the sister nations of the Empire, the markets of the world, and the vital sources of her food supply. In recognition of this fact, which nature has imposed and no statesmanship can change, it is essential that the Royal Navy alone should control the seas around Ireland and Great Britain, and that such rights and liberties should be accorded to it by the Irish State as are essential for naval purposes in the Irish harbours and on the Irish coasts.

II. In order that the movement towards the limitation of armaments which is now making progress in the world should in no way be hampered, it is stipulated that the Irish Territorial Force shall, within reasonable limits, conform in respect of numbers to the military establishments of the other parts of these islands.

III. The position of Ireland is also of great importance for the air services, both military and civil. The Royal Air Force will need facilities for all purposes that it serves; and Ireland will form an essential link in the development of air routes between the British Isles and the North American continent. It is, therefore, stipulated that Great Britain shall have all necessary facilities for the development of defence and of communications by air.

IV. Great Britain hopes that Ireland will in due course, and of her own free will, contribute in proportion to her wealth to the regular naval, military, and air forces of the Empire. It is further assumed that voluntary recruitment for these forces will be permitted throughout Ireland, particularly for those famous Irish regiments which have so long and so gallantly served his Majesty in all parts of the world.

V. While the Irish people shall enjoy complete autonomy in taxation and finance, it is essential to prevent a recurrence of ancient differences between the two islands, and in particular to avert the possibility of ruinous trade wars. With this object in view, the British and Irish Governments shall agree to impose no protective duties or other restrictions upon the flow of transport, trade, and commerce between all parts of these islands.

VI. The Irish people shall agree to assume responsibility for a share of the present debt of the United Kingdom and of the liability for pensions arising out of the Great War, the share, in default of agreement between the Governments concerned, to be determined by an independent arbitrator appointed from within his Majesty's Dominions.



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In accordance with these principles, the British Government propose that the conditions of settlement between Great Britain and Ireland shall be embodied in the form of a treaty, to which effect shall in due course be given by the British and Irish Parliaments. They look to such an instrument to obliterate old conflicts forthwith, to clear the way for a detailed settlement in full accordance with Irish conditions and needs, and thus to establish a new and happier relation between Irish patriotism and that wider community of aims and interests by which the unity of the whole Empire is freely sustained.

The form in which the settlement is to take effect will depend upon Ireland herself. It must allow for full recognition of the existing powers and privileges of the Parliament and Government of Northern Ireland, which cannot be abrogated except by their own consent. For their part, the British Government entertain an earnest hope that the necessity of harmonious co-operation amongst Irishmen of all classes and creeds will be recognised throughout Ireland, and they will welcome the day when, by these means, unity is achieved. But no such common action can be secured by force. Union came in Canada by the free consent of the Provinces. So in Australia; so in South Africa. It will come in Ireland by no other way than consent. There can, in fact, be no settlement on terms involving, on the one side or the other, that bitter appeal to bloodshed and violence which all men of goodwill are longing to terminate. The British Government will undertake to give effect, so far as that depends on them, to any terms in this respect on which all Ireland unites. But in no conditions can they consent to any proposals which would kindle civil war in Ireland. Such a war would not touch Ireland alone, for partisans would flock to either side from Great Britain, the Empire, and elsewhere, with consequences more devastating to the welfare both of Ireland and the Empire than the conflict to which a truce has been called this month. Throughout the Empire there is a deep desire that the day of violence should pass, and that a solution should be found consonant with the highest ideals and interests of all parts of Ireland, which will enable her to co-operate as a willing partner in the British Commonwealth.

The British Government will therefore leave Irishmen themselves to determine by negotiations between them whether the new powers which the pact defines shall be taken over by Ireland as a whole and administered by a single Irish body, or taken over separately by a Southern and Northern Ireland, with or without a joint authority to harmonise their common interests. They will willingly assist in the negotiation of such a settlement, if Irishmen should so desire.

By these proposals the British Government sincerely believe that

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they will have shattered the foundations of that ancient hatred and distrust which have disfigured our common history for centuries past. The future of Ireland within the Commonwealth is for the Irish people to shape.

In the foregoing proposals the British Government have attempted no more than the broad outline of a settlement. The details they leave for discussion when the Irish people have signified their acceptance of the principle of this pact.

(Signed) D. LLOYD GEORGE.

10, Downing Street, S.W.1. July 20, 1921.

## II

### MR. DE VALERA'S REPLY

(Official Translation.)

Office of the President, Dublin,

Mansion House, Aug. 10, 1921.

The Right Hon. David Lloyd George,

10, Downing Street, Whitehall, London.

SIR,—On the occasion of our last interview I gave it as my judgment that Dail Eireann could not, and that the Irish people would not, accept the proposals of your Government as set forth in the draft of July 20, which you had presented to me. Having consulted my colleagues, and with them given these proposals the most earnest consideration, I now confirm that judgment.

The outline given in the draft is self-contradictory, and “the principle of the pact” not easy to determine. To the extent that it implies a recognition of Ireland’s separate nationhood and her right to self-determination we appreciate and accept it. But in the stipulations and express conditions concerning the matters that are vital the principle is strangely set aside, and a claim advanced by your Government to an interference in our affairs, and to a control which we cannot admit.

Ireland’s right to choose for herself the path she shall take to realise her own destiny must be accepted as indefeasible. It is a right that has been maintained through centuries of oppression and at the cost of unparalleled sacrifice and untold suffering, and it will not be surrendered. We cannot propose to abrogate or impair it, nor can Britain or any other foreign State or group of States legitimately claim to interfere with its exercise in order to serve their own special interests.

The Irish people’s belief is that the national destiny can best be realised in political detachment, free from Imperialistic entangle-



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ments, which they feel will involve enterprises out of harmony with the national character, prove destructive of their ideals, and be fruitful only of ruinous wars, crushing burdens, social discontent, and general unrest and unhappiness. Like the small States of Europe, they are prepared to hazard their independence on the basis of moral right, confident that as they would threaten no nation or people, they would in turn be free from aggression themselves. This is the policy they have declared for in plébiscite after plébiscite, and the degree to which any other line of policy deviates from it must be taken as a measure of the extent to which external pressure is operative and violence is being done to the wishes of the majority.

As for myself and my colleagues, it is our deep conviction that true friendship with England, which military coercion has frustrated for centuries, can be obtained most readily now through amicable but absolute separation. The fear, groundless though we believe it to be, that Irish territory may be used as the basis for an attack upon England's liberties can be met by reasonable guarantees not inconsistent with Irish sovereignty.

"Dominion status" for Ireland every one who understands the conditions knows to be illusory. The freedom which the British Dominions enjoy is not so much the result of legal enactments or of treaties as of the immense distances which separate them from Britain and have made interference by her impracticable. The most explicit guarantees, including the Dominions' acknowledged right to secede, would be necessary to secure for Ireland an equal degree of freedom. There is no suggestion, however, in the proposals made of any such guarantees. Instead, the natural position is reversed; our geographical situation with respect to Britain is made the basis of denials and restrictions unheard of in the case of the Dominions; the smaller island must give military safeguards and guarantees to the larger, and suffer itself to be reduced to the position of a helpless dependency.

It should be obvious that we could not urge the acceptance of such proposals upon our people. A certain treaty of free association with the British Commonwealth group, as with a partial league of nations, we would have been ready to recommend, and as a Government to negotiate and take responsibility for, had we an assurance that the entry of the nation as a whole into such association would secure for it the allegiance of the present dissenting minority, to meet whose sentiment alone this step could be contemplated.

Treaties dealing with the proposals for free inter-trade and mutual limitation of armaments we are ready at any time to negotiate. Mutual agreement for facilitating air communications, as well as railway and other communications, can, we feel certain, also be

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effected. No obstacle of any kind will be placed by us in the way of that smooth commercial intercourse which is essential in the life of both islands, each the best customer and the best market of the other. It must, of course, be understood that all treaties and agreements would have to be submitted for ratification to the national legislature in the first instance, and subsequently to the Irish people as a whole, under circumstances which would make it evident that their decision would be a free decision, and that every element of military compulsion was absent.

The question of Ireland's liability "for a share of the present debt of the United Kingdom" we are prepared to leave to be determined by a board of arbitrators, one appointed by Ireland, one by Great Britain, and a third to be chosen by agreement, or, in default, to be nominated, say, by the President of the United States of America, if the President would consent.

As regards the question at issue between the political minority and the great majority of the Irish people, that must remain a question for the Irish people themselves to settle. We cannot admit the right of the British Government to mutilate our country, either in its own interest or at the call of any section of our population. We do not contemplate the use of force. If your Government stands aside, we can effect a complete reconciliation. We agree with you "that no common action can be secured by force." Our regret is that this wise and true principle which your Government prescribes to us for the settlement of our local problem it seems unwilling to apply consistently to the fundamental problem of the relations between our island and yours. The principle we rely on in the one case we are ready to apply in the other, but should this principle not yield an immediate settlement, we are willing that this question, too, be submitted to external arbitration.

Thus we are ready to meet you in all that is reasonable and just. The responsibility for initiating and effecting an honourable peace rests primarily, not with our Government, but with yours. We have no conditions to impose, no claims to advance but the one, that we be freed from aggression. We reciprocate with a sincerity to be measured only by the terrible sufferings our people have undergone the desire you express for mutual and lasting friendship. The sole cause of the "ancient feuds" which you deplore has been, as we know, and as history proves, the attacks of English rulers upon Irish liberties. These attacks can cease forthwith, if your Government has the will. The road to peace and understanding lies open.—I am, Sir, faithfully yours,

(Signed) EAMON DE VALERA.



# Ireland

## III

### MR. LLOYD GEORGE'S ANSWER

10, Downing Street, S.W.

August 13, 1921.

SIR,—The earlier part of your letter is so much opposed to our fundamental position that we feel bound to leave you in no doubt of our meaning. You state that after consulting your colleagues you confirm your declaration that our proposals are such as Dail Eireann could not, and the Irish people would not, accept. You add that the outline given in our draft is self-contradictory, and the principle of the pact offered to you not easy to determine. We desire, therefore, to make our position absolutely clear.

In our opinion, nothing is to be gained by prolonging a theoretical discussion of the national status which you may be willing to accept as compared with that of the great self-governing Dominions of the British Commonwealth, but we must direct your attention to one point upon which you lay some emphasis, and upon which no British Government can compromise—namely, the claim that we should acknowledge the right of Ireland to secede from her allegiance to the King. No such right can ever be acknowledged by us. The geographical propinquity of Ireland to the British Isles is a fundamental fact. The history of the two islands for many centuries, however it is read, is sufficient proof that their destinies are indissolubly linked. Ireland has sent members to the British Parliament for more than a hundred years. Many thousands of her people during all that time have enlisted freely and served gallantly in the Forces of the Crown. Great numbers, in all the Irish provinces, are profoundly attached to the Throne. These facts permit of one answer, and one only, to the claim that Britain should negotiate with Ireland as a separate and foreign Power.

When you, as the chosen representative of Irish national ideals, came to speak with me, I made one condition only, of which our proposals plainly stated the effect—that Ireland should recognise the force of geographical and historical facts. It is those facts which govern the problem of British and Irish relations. If they did not exist, there would be no problem to discuss.

I pass, therefore, to the conditions which are imposed by these facts. We set them out clearly in six clauses in our former proposals, and need not restate them here, except to say that the British Government cannot consent to the reference of any such questions, which concern Great Britain and Ireland alone, to the arbitration of a foreign Power.

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We are profoundly glad to have your agreement that Northern Ireland cannot be coerced. This point is of great importance, because the resolve of our people to resist with their full power any attempt at secession by one part of Ireland carries with it of necessity an equal resolve to resist any effort to coerce another part of Ireland to abandon its allegiance to the Crown. We gladly give you the assurance that we will concur in any settlement which Southern and Northern Ireland may make for Irish unity within the six conditions already laid down, which apply to Southern and Northern Ireland alike ; but we cannot agree to refer the question of your relations with Northern Ireland to foreign arbitration.

The conditions of the proposed settlement do not arise from any desire to force our will upon people of another race, but from facts which are as vital to Ireland's welfare as to our own. They contain no derogation from Ireland's status as a Dominion, no desire for British ascendancy over Ireland, and no impairment of Ireland's national ideals.

Our proposals present to the Irish people an opportunity such as has never dawned in their history before. We have made them in the sincere desire to achieve peace ; but beyond them we cannot go. We trust that you will be able to accept them in principle. I shall be ready to discuss their application in detail whenever your acceptance in principle is communicated to me.—I am, yours faithfully,

(Signed) D. LLOYD GEORGE.

Eamon de Valera, Esq.,

The Mansion House, Dublin.

### IV

#### LETTER FROM SIR JAMES CRAIG

MY DEAR PRIME MINISTER,—Your proposals for an Irish settlement have now been exhaustively examined by my Cabinet and myself. We realise that the preamble is specially addressed to Mr. De Valera and his followers, and observe that it implies that difficulties have long existed throughout the Empire and America attributable to persons of Irish extraction. In fairness to the Ulster people, I must point out that they have always aimed at the retention of their citizenship in the United Kingdom and Empire of which they are proud to form part, and that there are not to be found in any quarter of the world more loyal citizens than those of Ulster descent. They hold fast to cherished traditions, and deeply resent any infringement of their rights and privileges, which belong equally to them and to the other citizens within the Empire.

In order that you may correctly understand the attitude we



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propose to adopt it is necessary that I should call to your mind the sacrifices we have so recently made in agreeing to self-government and consenting to the establishment of a Parliament for Northern Ireland. Much against our wish, but in the interests of peace, we accepted this as a final settlement of the long-outstanding difficulty with which Great Britain had been confronted. We are now busily engaged in ratifying our part of this solemn bargain, while Irishmen outside the Northern area, who in the past struggled for Home Rule, have chosen to repudiate the Government of Ireland Act and to press Great Britain for wider power. To join in such pressure is repugnant to the people of Northern Ireland.

In the further interest of peace we therefore respectfully decline to determine or interfere with the terms of settlement between Great Britain and Southern Ireland. It cannot then be said that "Ulster blocks the way." Similarly, if there exists an equal desire for peace on the part of Sinn Féin, they will respect the status quo in Ulster and will refrain from any interference with our Parliament and rights, which under no circumstances can we permit. In adopting this course we rely on the British people, who charged us with the responsibility of undertaking our parliamentary institutions, to safeguard the ties that bind us to Great Britain and the Empire, to ensure that we are not prejudiced by any terms entered into between them and Mr. De Valera, and to maintain the just equality exhibited throughout the Government of Ireland Act.

Our acceptance of your original invitation to meet in conference still holds good, and if at any time our assistance is again desired we are available, but I feel bound to acquaint you that no meeting is possible between Mr. De Valera and myself until he recognises that Northern Ireland will not submit to any authority other than his Majesty the King and the Parliament of the United Kingdom, and admits the sanctity of the existing powers and privileges of the Parliament and Government of Northern Ireland. In conclusion, let me assure you that peace is as earnestly desired by my Government and myself as by you and yours, and that although we have nothing left to us to give away, we are prepared, when you and Mr. De Valera arrive at a satisfactory settlement, to co-operate with Southern Ireland on equal terms for the future welfare of our common country. In order to avoid any misunderstanding or misrepresentation of our views I intend to publish this letter when your proposals are made public.—Yours sincerely,

JAMES CRAIG.

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## V

### LETTER FROM GENERAL SMUTS

Savoy Hotel, London.  
August 4th, 1921.

Eamon de Valera, Esq.,  
Mansion House, Dublin.

MY DEAR DE VALERA,—Lane duly reported to me the substance of his conversations with you and handed me your letter of the 31st July. He told me of your anxiety to meet and discuss the situation with Ulster representatives. Since then I have, as I wired you yesterday, done my best to bring about such a meeting, but Sir James Craig, while willing to meet you in a conference with Mr. Lloyd George, still remains unwilling to meet you in his absence, and nothing that I have been able to do or say has moved him from that attitude. If you were to request a meeting with him, he will reply, setting forth his position, and saying that Ulster will not be moved from the constitutional position which she occupies under the existing legislation; she is satisfied with her present status, and will on no account agree to any change.

On the other hand, both in your conversation with Lane and in your letter, you insist on Ulster coming into a United Ireland Constitution, and unless that is done you say that no further progress can be made. There is therefore an *impasse*, which I do not at present know how to get over. Both you and Craig are equally immovable. Force as a solution of the problem is out of the question, both on your and his premises. The process of arriving at an agreement will therefore take time.

The result is that at this stage I can be of no further use in this matter, and I have therefore decided to adhere to my plan of sailing for South Africa to-morrow. This I regret most deeply, as my desire to help in pushing the Irish settlement one stage further has been very great. But I must bow to the inevitable.

I should like to add a word in reference to the situation as I have come to view it. I have discussed it very fully with you and your colleagues. I have also probed as deeply as I could into the Ulster position. My conviction is that for the present no solution based on Ulster coming into the Irish State will succeed. Ulster will not agree, she cannot be forced, and any solution on those lines is at present foredoomed to failure.

I believe that it is in the interest of Ulster to come in, and that the force of community of interests will over a period of years prove



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so great and compelling that Ulster will herself decide to join the Irish State. But at present an Irish settlement is only possible if the hard facts are calmly faced and Ulster is left alone. Not only will she not consent to come in, but even if she does, the Irish State will, I fear, start under such a handicap of internal friction and discordance that the result may well be failure once more.

My strong advice to you is to leave Ulster alone for the present, as the only line along which a solution is practicable ; to concentrate on a free Constitution for the remaining twenty-six counties, and through a successful running of the Irish State and the pull of economic and other peaceful forces, eventually to bring Ulster into that State. I know how repugnant such a solution must be to all Irish patriots, who look upon Irish unity as a *sine qua non* of any Irish settlement. But the wise man, while fighting for his ideal to the uttermost, learns also to bow to the inevitable. And a humble acceptance of the facts is often the only way of finally overcoming them. It proved so in South Africa, where ultimate unity was only realised through several stages and a process of years ; and where the Republican ideal for which we have made unheard-of sacrifices had ultimately to give way to another form of Freedom.

My belief is that Ireland is travelling the same painful road as South Africa, and that with wisdom and moderation in her leadership she is destined to achieve no less success. As I said to you before, I do not consider one single clean-cut solution of the Irish question possible at present. You will have to pass through several stages, of which a free Constitution for Southern Ireland is the first, and the inclusion of Ulster and the full recognition of Irish unity will be the last. Only the first stage will render the last possible, as cause generates effect. To reverse the process and to begin with Irish unity as the first step is to imperil the whole settlement. Irish unity should be the ideal to which the whole process should be directed.

I do not ask you to give up your ideal, but only to realise it in the only way which seems to me at present practicable. Freedom will lead inevitably to unity ; therefore begin with Freedom—with a free Constitution for the twenty-six counties—as the first and most important step in the whole settlement.

As to the form of that Freedom, here too you are called upon to choose between two alternatives. To you, as you say, the Republic is the true expression of national self-determination. But it is not the only expression ; and it is an expression which means your final and irrevocable severance from the British League. And to this, as you know, the Parliament and people of this country will not agree.

The British Prime Minister has made you an offer of the other form of Freedom—of Dominion status—which is working with

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complete success in all parts of the British League. Important British Ministers have described Dominion status in terms which must satisfy all you could legitimately wish for. Mr. Lloyd George in his historic reply to General Hertzog at Paris; Mr. Bonar Law in a celebrated declaration in the House of Commons; Lord Milner, as Secretary of State for the Colonies, have stated their views, and they coincide with the highest claims which Dominion statesmen have ever put forward on behalf of their free nations.

What is good enough for these nations ought surely to be good enough for Ireland too. For Irishmen to say to the world that they will not be satisfied with the status of the great British Dominions would be to alienate all that sympathy which has so far been the main support of the Irish cause.

The British Prime Minister offers complete Dominion status to the twenty-six counties, subject to certain strategic safeguards which you are asked to agree to voluntarily as a free Dominion, and which we South Africans agreed to as a free nation in the Union of South Africa. To my mind such an offer by a British Prime Minister, who—unlike his predecessors—is in a position to deliver the goods, is an event of unique importance.

You are no longer offered a Home Rule scheme of the Gladstone or Asquith type, with its limited powers, and reservations of a fundamental character. Full Dominion status, with all it is and implies, is yours—if you will but take it. It is far more than was offered the Transvaal and Free State, who fought for Freedom one of the greatest wars in the history of Great Britain, and one which reduced their own countries to ashes and their little people to ruins.

They accepted the far less generous offer that was made to them; from that foothold they then proceeded to improve their position, until to-day South Africa is a happy, contented, united, and completely free country. What they have finally achieved after years of warfare and political evolution is now offered to you—not in doles or instalments, but at once and completely. If, as I hope, you accept, you will become a sister Dominion in a great circle of equal States, who will stand beside you and shield you and protect your new rights as if these were their own rights; who will view an invasion of your rights or a violation of your status as if it was an invasion and a violation of their own, and who will thus give you the most effective guarantee possible against any possible arbitrary interference by the British Government with your rights and position. In fact, the British Government will have no further basis of interference with your affairs, as your relations with Great Britain will be a concern not of the British Government but of the Imperial Conference, of which Great Britain will be only one of seven members. Any questions in issue between you and the British Government



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will be for the Imperial Conference to decide. You will be a free member of a great League, of which most of the other members will be in the same position as yourself; and the Conference will be the forum for thrashing out any questions which may arise between members. This is the nature and the constitutional practice of Dominion Freedom.

The difficulty in Ireland is no longer a constitutional difficulty. I am satisfied that from the constitutional point of view a fair settlement of the Irish question is now possible and practicable. It is the human difficulty which remains. The Irish question is no longer a constitutional but mostly a human problem.

A history such as yours must breed a temper, an outlook, passions, suspicions, which it is most difficult to deal with. On both sides sympathy is called for, generosity, and a real largeness of soul. I am sure that both the English and Irish peoples are ripe for a fresh start. The tragic horror of recent events, followed so suddenly by a truce and fraternising all along the line, has set flowing deep fountains of emotion in both peoples and created a new political situation.

It would be the gravest reflection on our statesmanship if this auspicious moment is allowed to pass. You and your friends have now a unique opportunity—such as Parnell and his predecessors and successors never had—to secure an honourable and lasting peace for your people.

I pray God that you may be wisely guided, and that peace may now be concluded, before tempers again change and perhaps another generation of strife ensues.—Ever yours sincerely,

(Signed) J. C. SMUTS.

# NATIONAL PROSPERITY AND INDUSTRIAL PEACE

## I. FOREIGN TRADE AND UNEMPLOYMENT

THE coal stoppage has had many evil effects. Among others it has served to hide the seriousness of the economic position of the British Isles, by making people attribute the state of our trade and unemployment to the shortage of coal. The coal stoppage undoubtedly made things much worse, and with the resumption of work things will get better. Other temporary causes, such as overstocking at high prices, are also disappearing and will be a further help. But our troubles are, in reality, much more deep-seated than this, and the more closely we look into the situation the more serious is the difficulty in the way of a return to full national prosperity.

Great Britain differs from every other country in the world as it depends, absolutely, for its existence on foreign trade. In no other way can it support a population of more than 40 millions on so small an area. It produces, for instance, only about 60 per cent. of its food supplies, and about 25 per cent. of the raw material needed for its industries. These it has to obtain from abroad and it can only do so by sending exports with which to pay for them. The position can be seen at a glance in the figures for 1913. In that year our total imports amounted to £768,000,000, of which £295,000,000 represented foodstuffs, £269,000,000 raw materials, and £201,000,000 manufactured articles. Our exports on the other hand were £525,000,000 of which £413,000,000 was manufactured articles. The



## National Prosperity and Industrial Peace

balance was made up by shipping freights and interest on capital invested abroad in the past.

Ever since the Tudor days it has been the case that England has derived its prosperity from foreign trade. There was always considerable trade between England and the Continent. But in Elizabeth's time a new field was opened : it was the era of exploration in which, for those times, great fortunes were made by somewhat dubious exploits on the Spanish Main. Later came the growing trade with the newly founded colonies in America. To that in the eighteenth century was added the immensely profitable trade with India and the East. And, during the whole of the nineteenth century, after the industrial revolution, it was British manufacturers and traders who equipped the world with railways and machinery and sold to consumers abroad the cheap cotton and woollen goods made in the new industrial towns of the north. Not for nothing were the British known to Europe as a nation of shopkeepers.

It has only been possible by reason of this foreign trade for Britain to maintain the population she has done in these islands. Left to her own internal trade alone they would have starved or emigrated, as indeed immense numbers of them did. It is perfectly true that despite this foreign trade large masses of the people, both in rural England and in the industrial towns, were underpaid, and in consequence insufficiently housed, fed and clothed. In some measure this was due to landlords and manufacturers taking too large a proportion of the proceeds of agriculture and industry for themselves. But it was partly also due to the fact that the demand for British products abroad was seldom sufficient to keep the whole population steadily employed at adequate wages for more than very short periods of time. The position would have been infinitely worse had it not been for our foreign trade.

If this was the state of affairs before the war, it is doubly true to-day. Partly owing to the increase in prices British imports for 1920 were £1,936,000,000 as opposed to

## Foreign Trade and Unemployment

£768,000,000 in 1913, and of these £767,000,000 was for food, and £711,000,000 for raw materials—a truly enormous jump. Our exports the same year were only £1,335,000,000 leaving a deficit to be made up of “invisible exports” such as shipping freights of no less than £600,000,000. Moreover, we have now to export more in order to obtain the same level of imports. Before the war, as we have seen, a considerable proportion of our imports were payments on account of interest on capital invested abroad previously and needed no exports to pay for them. A great part of these investments were sold during the war to pay for foreign imports. If we want the same standard of living now we shall get it only by importing more.

Moreover, during the war the population as a whole greatly improved its standard of living. Orders were unlimited, there was a shortage of labour, Governments used their credit to buy without limit and almost regardless of price or value. The whole world was, economically speaking, having a good time, wasting its substance in a war. If these wages and hours are to be maintained, it will only be by finding far greater markets in which to sell our goods at higher prices or at less cost of production to ourselves than we did before the war. But while the necessity for foreign trade is more insistent the difficulties in the way of securing it are infinitely more serious. European markets have largely disappeared. Every Government has stopped ordering and is retrenching as hard as it can. The population of Europe is half ruined. Its resources have been wasted. Enormous areas have been devastated. Great masses of people have died or been killed. The whole machinery both of agriculture and industry has been thrown out of gear. Russia, as a market, has been almost destroyed. The people therefore cannot buy, for they have nothing to buy with. They barely produce enough food for their own consumption, certainly little over and above to exchange for other people's manufactures.



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Then exchanges are bad. At the beginning of August the value of the £ in the United States was about 14s., which made it difficult for us to buy from them oil and wheat and cotton. The value of the £ in France was nearly £2, in Germany was £13, which makes it difficult for them to buy our manufactures.

There is also competition. Before the war German competition was gradually ousting British manufactures in certain great markets. It was doing so partly because of subsidies, but mainly because the German manufacturer was a more industrious and an abler organiser, and the German worker was worked harder, for longer hours and for less pay. To-day the situation is still more acute. The subsidies have gone. But both German manufacturer and German worker know they lost the war. They know that they can repair their loss only by going through bitter times in which they have to work their hardest for a minimum reward. The pay of the German worker to-day is between three-fifths or four-fifths of that of his British brother in purchasing value. And in consequence the German merchant can sell German goods abroad at prices 40 per cent., and 50 per cent., and 60 per cent., and sometimes 100 per cent. below British prices. What for instance is to happen to the British iron and steel trade when British steel billets in London cost £10 10s. and German £8 per ton, as they do to-day? It is the same for the United States. Wages there are higher, but the efficiency of labour is also much higher and the arts of mass production have been carried much farther. The figures of coal output are instructive. In England for 1920 they were 193½ tons per miner. In the United States they were 744 per miner. No doubt conditions are more favourable in the U.S.A. But whereas the American miner has increased his output from 618 tons in 1910 to 744 tons in 1920, the British miner's output has fallen in those years from 257 to 193½.

The effect of bad markets is cumulative. Europe

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cannot buy from us what she bought before. Therefore we cannot buy the raw material from India, Australia and so forth which we used to make up for Europe. They in turn cannot order the manufactures they used to, and so the vicious circle turns.

Then again, the population for which we have to find employment in these islands has probably increased. In spite of the awful losses of the war they were probably not equal to what would have emigrated in those years under normal conditions. But the character of the population is worse. Much of it is maimed and weakened. A larger proportion are women less fitted and trained for industrial work.

Finally, there is the burden of taxation. We have to pay interest on our debts, some of them abroad (in imports); we have to pay pensions to sick and disabled; we have to pay doles to unemployed. All this comes out of industry and lowers wages or adds to the price at which it is possible to sell goods and keep industry solvent.

The problem which faces us, therefore, is a much more difficult and deep-seated one than that of making up the leeway lost during the coal strike, or of disposing of excessive stocks purchased at too high prices. By the end of this year unemployment will be diminished. It may temporarily be very greatly diminished owing to the reaction from the unnatural depression of the past six months. But this in itself will not secure to us what we really need—full employment for the whole of our population at 1919 or 1920 wages and standards. And if it doesn't, then some portion, it may be 500,000, it may be 1,000,000 of our people will be unemployed with disastrous result alike to themselves and the finances of the country, which in turn will have the effect of depressing all other wages. For emigration is no longer a solution. It may ease the situation in small measure. But the new countries of the world are closing their doors to immigrants, and in any case the number that can leave these islands and find absorption



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abroad in any one year is comparatively small. The problem must be tackled at its real foundation or it will not be solved.

## II. THE CONDITIONS OF PROSPERITY

**T**HESE may seem gloomy forebodings. So they are. There is no more use being vaguely optimistic and trusting to luck now than there was in 1914 or any of the succeeding years of the war. It is better to face what is coming to one, and to prepare to deal with it. And if we all face the economic problem, we can deal with it. But only at the price of considerable sacrifice.

The real barometer of British prosperity is the statistics of unemployment and the rates of wages paid in the standard industries. It is no use having prosperous traders or high trade union wages, if only half our people are employed, or full employment if wages are at or below subsistence point. We need a nation fully employed at good wages and for fair hours. How is that to be gained?

As we have already seen it can only be gained by foreign trade. We cannot live by taking in one another's washing. We haven't the necessary food and cannot grow it. We haven't the necessary raw materials: we cannot produce a whole variety of the articles which we now regard as necessary to civilised life, from what can be grown or mined in the British Isles. The home trade, of course, is important. It is of the two much more important than the foreign trade. The point we are trying to make is that however good the home trade may be, we cannot be prosperous and fully employed without an enormous foreign trade as well.

Now where is foreign trade to be gained? It certainly isn't there to-day, and won't be there to-morrow, as the optimists believe, in quantity sufficient to maintain our people, unless there is a general understanding as to how it is to be obtained, and energetic co-operation in obtaining it.

## The Conditions of Prosperity

Now upon what does prosperity, in the sense defined above of employment for all at ample wages, normally depend. Four things, work, efficiency, enterprise, and saving for investment. Let us examine these elements a little more closely.

It is obvious that prosperity cannot return without universal work. The penalty of the materialism in which we spend our time is that we have to work in order to live. If every individual was a small-holder and lived off the land it would be obvious to all that unless he worked, he and his family would die, and that the harder, or what is more important, the more intelligently, he worked, the better off he would be. But at bottom, complex as our civilisation is, it is still true that prosperity can only come from work intelligently applied. Moreover, inasmuch as our civilisation is complex, and we each of us only supply some tiny fraction of the final commodity, and except in the case of the farmer, produce nothing which in itself and uncombined with other people's work we can sell to our neighbours, our prosperity is largely dependent upon our neighbours working as well as ourselves. This is now obvious to everybody as regards internal trade. We have repeated instances lately of a strike or lock-out in one trade holding up the work of countless other workers and industries not directly interested in the dispute. It is not so obvious to everybody that our national prosperity is equally dependent upon the prosperity of other nations and *vice versa*. If France or Russia or Germany or the United States are prosperous, it means that they can buy more from us, even as we also buy more from them. If everybody worked not only here but all over the world, and worked intelligently (a most important qualification) it could not be long before mankind produced enough to give everybody a very high standard of life. And there is no other way in which the world can become prosperous except that everybody should so work. Mankind lives upon what it produces every year. Its accumulated



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wealth other than the plant and material with which it works, is not very great. Its reserves of food and clothing and raw material, for instance, are quite small, and it cannot live for many weeks on redistributing houses, and furniture and land. It is certain that the present distribution of accumulated wealth, by arousing indignation at its inequality or injustice, hinders work and gives rise to false economic doctrines which hide the elemental truth that probably nine-tenths of mankind's annual needs in food, clothing and amusements are produced by work in the year in which they are consumed, and that only one-tenth is accumulated in the form of property, property which except in the case of land is itself ere long worn out or rendered useless by a later invention.

Therefore, work by all nations and all classes, and work intelligently applied, is the foundation of prosperity.

We come now to efficiency. Stress has already been laid upon the importance of work being properly applied. People cannot get a living by working, however hard, at just digging holes in the ground or carting mountains to the plain. It has to be work applied according to science and experience in such a way as will result in growing crops, or mined materials, or manufactured commodities, of such a quality and so distributed as to meet other people's needs. Unless the intelligent direction is there all the work in the world will not avert starvation, and the more intelligent the direction, the less the effort required to meet the needs of mankind. The price of foodstuffs, for instance, is infinitely lower and their variety and availability greater, as the result of the use by farmers of machinery and the results of scientific research, than it was a century ago. Efficiency, therefore, is vital to prosperity—efficiency in the individual worker, efficiency in management, efficiency in distribution, efficiency in organisation. Without efficiency the effort will be wasted and the return in prosperity low.

Next we come to enterprise. Enterprise is the creative

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gift—the vision which foresees, the exploring gift which discovers new resources, the inventive one which invents new methods, or the gift which greatly daring takes great risks in creating a new industry or a new demand. It is perhaps of all the conditions of renewed prosperity the most important, for without it the world stands still. Yet it is also the most elusive. It cannot be organised. Examinations cannot detect it, hence bureaucrats seldom have it. It cannot even be easily selected, for in most cases it is only discovered after it has begun to create. It is to this faculty that all the great improvements in civilisation are due, the steam engine, the motor-car, the telegraph, cheap food, cheap transportation, cheap clothes and cheap news. It invents, it makes the invention practical, it organises the manufacture—almost all the time in supreme faith in its own judgment, expecting returns after great risks and many days. Without enterprise civilisation stagnates, and the dreams we all have of a better world with plenty and comfort for all cannot come into being.

Finally come savings. Without large numbers of people who save some portion of their earnings and lend them to those who are engaged in enterprise, to develop new industries, to improve old methods, to bring new products to markets or old products in larger quantities and at a cheaper price, the machinery of the world's production will rapidly run down. Old industries will languish for want of capital. New ones will cease to come into existence. Life will become stereotyped and with it the standards of life will fall. The function of producing the immense quantities of capital constantly required to keep civilisation going and to develop and improve it is almost as important as work itself. Without it wages cannot be paid during the growth of an industry. New mines and new lands cannot be brought into production. Goods and foodstuffs cannot be transported, or shops accumulate commodities in great quantities and variety to sell. Saving for capital



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enterprise is one of the primary duties of a public-spirited citizen.

But there is one other condition of prosperity which in normal times is taken for granted, but which is conspicuously absent to-day—and that is international and internal peace and economic stability. War or civil war instantly cuts across the channels of trade. Rumours of wars and social unrest impede and frighten enterprise. Prosperity in the fullest sense of the word is only possible when business men can take long views and make long-dated contracts, confident that no outside force will intervene to prevent them from fulfilling them and that obligations will be met when they are due. International peace and internal order are vital to the prosperity of the world and especially of Great Britain which depends so much on world trade. Among other reasons why the United States has been so wonderfully prosperous in the past may certainly be placed its immunity for 50 years from every form of foreign and internal strife.

### III. THE KEY TO THE PROBLEM OF TO-DAY

**W**HY is there universal trade depression to-day? People often ask why there are unemployment and bad business conditions at a moment when it is obvious that the whole of mankind is hungry for reconstruction and development. The world is full of people willing to work. It is full of wonderful resources. Europe, Asia, Africa and parts of America are languishing for want of railways, roads, telegraphs, clothing, furniture, books, every sort of useful article. On the other hand, the chief western countries, Great Britain, the United States, France and Germany are possessed of a vast and highly efficient technical equipment, admirably adapted to supply these needs. Yet here and everywhere this equipment is working short time or

## The Key to the Problem of To-day

not at all and millions of workers are standing idle and unemployed.

The answer is not easy to give briefly, but in fundamentals is clear. First and foremost is the general instability of both political and economic conditions throughout the world. We have already referred briefly to these in the first section of this article. The effect of the universal instability is rather similar to the effect of disorganising a telephone exchange. It becomes very difficult to get a call (a business deal) through. Poland wants steel goods or woollen goods from Britain, but as the exchange is some thousands of marks to the £ neither the Polish merchant nor the British manufacturer can do business, because what the Polish consumer can pay to the Polish merchant is valueless to the British manufacturer and worker. So the deal does not go through, and Poles do without bedsteads or locomotives or clothes and Britons without work, wages or profits. So it is on every side, exchange difficulties, doubts about renewed war between France and Germany, tariff barriers running criss-cross through Europe, the total destruction of Russia, the reparation question, all these elements act like sand or gravel in the infinitely complex mechanism of digging the raw materials or growing the food in one part of the world, transporting it to the manufacturer in another, and then redistributing it all over the globe through the millions of big and little shops, and the hundreds of thousands of banks and institutions which find the necessary credit to keep the process going from the date the miner puts his pick or the farmer his plough into the ground, to the date when the consumer's cheque or cash finds its way back to the prime producers. The war and its aftermath have dislocated this organism from top to bottom and it will take years for it to be repaired and to work smoothly and sweetly again.

Still, it will make all the difference to our prosperity and employment whether we are working intelligently and actively to put things right. If Great Britain is more



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hardly hit by world conditions than other nations because she more largely depends on foreign trade, she has certain compensating assets. She has within the Empire an enormous proportion of the earth's surface where conditions are stable and within which the process of trade and development can proceed on normal lines—not by excluding others artificially, which is a shortsighted and futile policy, but by the encouragement of that process of work, efficiency, enterprise and saving upon which the economic millennium must rest. And even in trade with foreign nations the degree of our own prosperity, and the rapidity with which they will recover will depend in great measure on whether our people can produce commodities at fair prices, and have the capital necessary to finance long-credit operations. The effect of political instability is being enormously aggravated by economic uncertainty. Nobody is going to launch on great business enterprises if he thinks that the cost of everything is still artificial and is going to fall. Costs are still artificial. They are based on war standards when there was no competition and we were living not on what we could produce, but upon credit. People are trying to base wages on the cost of living figures or on some war standard, and to keep output and hours down to the standards arrived at in the war. That is obviously desirable in itself. We want an ever-increasing standard of life for all the community. But it cannot be gained by just insisting on it. Wages and hours ultimately depend not upon the cost of living, but upon what other people will give you in exchange for what you make yourself. And the way to improve wages and shorten hours is to improve your methods so that other people are so anxious for your product that they will give you full orders for all you can make at prices which will pay good wages for fair hours and fair profits for capital invested and risk taken.

Hence, while every attempt to keep up the standard of life and to insist on a fair distribution of the proceeds of industry between employer and employed is sound in aim,

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it will fail unless it recognises that the essential condition of success is a process of improving the product and cheapening its cost. The nation which can always produce the best article at the price of its inferior competitors, and which saves for enterprise as well, will never want prosperity, wages or employment.

Hence, as is always the case in human affairs, the best contribution one can make to the solution of the problem is to reform oneself. Are we therefore living up to the standard necessary to the recovery of prosperity? It would seem that we are not. In this country at any rate the gospel of work has lost its force. It has been a positive disadvantage in this respect that we won the war, for instead of realising, as the Germans have done, that nothing but work can wipe out the ravages of the war (whether lost or won) we have sat back and waited for the land for heroes to grow because we successfully defeated the attempt of the German militarist to make the world far worse than it is. To-day nobody wants to work hard, or seems to realise that happiness is only to be found in work interspersed with adequate recreation. The standard of work of the rich is not high. There are far too many drones. And it is still the policy of the trade unions to restrict output, in fact if not in theory. The output of work in Great Britain is low—very much lower than in the U.S.A. or Germany. If we are to recover prosperity we must all work, and not wait first to see whether our neighbour works too. If every man waits for his neighbour to begin the only thing we shall do together is to starve.

Then there is at any rate in some respects a low standard of efficiency. Our technical equipment is probably up to standard. But our higher organisation, as compared either with Germany or the U.S.A., is not. We need take only one instance. The coal strike has revealed two things—inefficiency and lack of vision on the part of the owners from the point of view of the management and organisation of the industry as a whole, and inefficiency on the part of the



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miners from the point of view of the standard of output per man. The effect is that the cost of coal is needlessly high, and as coal is the basis of the national industries, that means a handicap on every industry and especially on the steel and iron and shipbuilding trades where cost of coal is a very large part of the cost of production.

Then again there is a shortage of capital. This is partly due to the severity of taxation which absorbs savings which would otherwise go into business enterprise. It is partly due to the high standard of luxury spending prevalent among all classes, rich and poor—spending which would be more profitable to everybody if it were applied to investment.

The effect of these things is to paralyse enterprise. The people of Great Britain have always shown enterprise in marked degree. More than other people they were responsible for the remarkable progress in the sphere of invention and enterprise of the nineteenth century. And though other nations, notably the Americans, have now entered the same field with great success, the British are still second to none. But the process of development, of starting new industries, mines, or businesses, or of spending large sums in opening up new connections and avenues for trade, or in stimulating demand is at the moment heavily handicapped. And it will remain handicapped until everybody works their best for reasonable hours, everybody helps efficiency and the lowering of the cost of production and everybody contributes his savings to enterprise. Then, when things are down to an economic level and firm foundations are reached on which it is possible to build, the national prosperity will begin to arrive.

For when all is said and done, looked at in the large it is this process of developmental enterprise which is the fundamental thing. If there is unemployment in Great Britain it is because creative enterprise, producing both new and better methods at home, or new construction and development abroad, is beginning to lag behind.

## Incubus of the Capital and Labour Dispute

It is this process of creative enterprise which is the key to our own and every other nation's prosperity. A million pounds, for instance, spent in building railways in Africa, gives immediate orders to the makers of steel rails, locomotives and wagons. It gives employment and wages to the people on the spot who immediately order clothes and food and commodities, which they could never have obtained before, and which in turn are supplied partly by enterprising people in the locality, but partly again from the great manufacturing peoples overseas. And the whole process gives employment to the shipping and transportation and similar agencies. It is just the same at home. A million pounds spent in bringing a new and better product to the market gives employment first in the building trades, and then in engineering and other trades. It is true that finally it throws out of business older concerns which cannot adapt themselves to the eternal fact of progress, but in so doing it attracts labour therein employed and gives to the public a better and a cheaper article which will be more largely consumed. And if labour exchanges are efficient, trade union rules wise, and saving universal, the process is not only easy, but adds that very variety to industrial life which Great Britain so badly needs to-day.

### IV. THE INCUBUS OF THE CAPITAL AND LABOUR DISPUTE

**B**UT there is one great obstacle in the way of renewed prosperity and full employment which is very stubborn—much more stubborn than the political instability of Europe, or the exchanges, or the luxury spending of the day, all of which, we can assume, will gradually settle down. That obstacle is the ancient feud between Capital and Labour. It has been acute for a century—nay, since the beginning of time. It rages from one end of the world to the other. It is perhaps especially difficult in the British



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Isles, because it is less revolutionary than elsewhere but is intertwined with every feature of our political and economic life. But a settlement of it is vital to the full prosperity and employment we all need. It is a principal cause of the instability and insecurity which prevents development and enterprise. It is a principal cause why other countries are able to undersell our products in both home and foreign markets. It is all the more harmful because while co-operation on proper terms will bring prosperity not only to both parties but to the community, the present dog-fight is not only ruining both parties to the quarrel but the community as well.

We propose therefore to examine this question and the solution of it in some detail, because it lies at the root of the problem under discussion.

Before doing so, however, it is necessary to say a word or two about the use of terms. Both the words, Capital and Labour, are commonly loosely used. Strictly speaking capitalists engaged in management and enterprise are workers, just as much as the people they employ. On the other hand, many labourites are capitalists in the sense that they own considerable investments. But everybody knows that there is a Capital and Labour question, and that broadly speaking it is a dispute between those who have industrial property and accumulated resources and those who are employed by them in order to convert a lifeless mechanical machine into an active productive organism. We use the words in this general sense.

Similarly, Capitalism is used to denote the existing system of society under which property—except such as is directly owned by the State—and enterprise are left in private hands, and are not directed or controlled by the community except in so far as it passes legislation such as the Factory Acts, or the Company laws, or the Old Age Pensions Acts which are designed to regulate and define the relations between individuals, or to protect individual rights, or to make provision for certain individual needs.

## Where Capitalism has Succeeded

The fundamental idea underlying the existing order is that the community is a set of individuals, and that it will prosper in proportion as the individual is given the maximum freedom to develop himself or the property, provided always in so doing he does not trespass upon his neighbours' rights and property as defined by law. Capitalism is the system of industrial organisation which has grown up under the individualist regime.

The only alternative system proposed is Communism or Socialism, both of which, the first entirely, the latter partially, abolish private property and private enterprise and substitute for it the control of property, and the direction of the activities of the citizens by the State.

Let us examine these two systems in a little more detail.

### V. WHERE CAPITALISM HAS SUCCEEDED

**F**OR all its defects Capitalism, or the system of private property and private enterprise, has outstanding merits. It is the most wonderful system for the production of wealth and the multiplication and cheapening of commodities that has ever been devised. Under Capitalism civilised nations have equipped themselves with railways and telegraphs, with the whole range of iron and steel products, from great bridges like the Forth Bridge, to pins and needles and the iron bedstead, with cheap books, cheap motors and cheap amusements. Under Capitalism the world has been redeemed from ignorance and chaos into something like unity, by means of the great ships and the great lines of transportation and cables which link nations and continents. Under Capitalism have grown up the newspapers which give us every day a picture of what has been going on all over the world. Under Capitalism we have gained food and clothing both varied and cheap, so that nations are no longer dependent upon their own seasons for the supply of their essential needs.



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If we look indeed at what is within the reach of the average man to-day and two centuries ago, the change is little short of miraculous. Then he was isolated in a village or a small town. He could not move about, unless he was prepared to walk, for stage coaches were only for the few. His knowledge of the world was probably nil unless he had learnt to read and write and after that could borrow the few books which existed from richer friends. His food was monotonous—the product of his own countryside. He lived, in fact, compared with his fellow to-day in a physical and mental cage. To-day nothing is easier than for the average man to move from one end to another of his own country, and if he has even small savings, to the ends of the earth as well. The literature of all ages is his for a few pence and newspapers enlarge his horizon by giving him daily news from every corner of the globe. His diet is rich and various, drawn from every latitude, from every continent and from every sea. If the man or woman of 1721 had been offered what is within the reach of his descendant two centuries later, he would have thought himself possessed of Prince Housain's magic carpet, out of the Arabian Nights story.

How has Capitalism achieved this? It has done so because the system has liberated to an extraordinary extent the invention, the enterprise and the energy of the individual. Under the existing system, it is possible for the man of resource and organising gifts, the man of ideas, and those who have wealth which they do not wish to spend on themselves, to come together to create commodities, or discover and develop natural resources, not previously available for mankind, without interference, and without waiting for Government permits or Government support. From our experience during the war, and indeed, everywhere else, it is obvious that no bureaucratic system can be one-tenth as adaptable, rapid and resourceful as private enterprise is in creating wealth and bringing new ideas to practical use.

## Where Capitalism has Succeeded

Capitalism has also another merit. It does not burden posterity with the cost of its failures. Success in business may win too great rewards, but failures are written off. An enormous proportion of all money put up for new enterprise is lost—the invention does not prove a commercial success, the mine is not a payable proposition, the trade expected is not there, the organisers have been incompetent, or the public taste has changed. Such are the reasons recorded over and over again why money put up by inventors or capitalists must be written up as a dead loss. Yet for all this the public has gained. The enterprise while it lasted has given orders and employment. The experiment has paved the way for something better, without charging its losses to its cost.

It may be argued that Capitalism has played its part and that the day for a less vigorous and creative system has come. It is true that the economic is only one sphere of human activity and that there are other values, moral and mental, of greater moment. The day will come when the economic foundations of civilisation are complete. But that day has certainly not dawned yet. Poverty and inadequate resources are one of the commonest and most distressing features of our time. If we are to have a healthy, energetic, friendly, competent society, all citizens must have adequate housing, sufficient food and clothing, education, recreation and so forth to enable them to make the best of themselves. In none even of the most advanced western communities is that true to-day, and when we look at mankind as a whole the work that has to be done to lay the foundations of civilisation is staggering. The world needs commodities in vastly increased quantities, at reduced prices, and of improved quality. It needs the very best that the system of individual enterprise, admittedly the most productive, can give it, working at its greatest efficiency. We have only to look at Central Europe, at Russia, at Asia, Africa and South America to see what needs to be done. If civilisation is to triumph it will be because



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every family is based upon a four-roomed house, with its equivalent in food, clothing, transportation, education and recreation. There is certainly no need as yet to turn off the creative power of the individualist system on the ground that it has played its part.

But if Capitalism has had a great success it has also had great failures. Before, however, going on to examine where Capitalism has failed, let us look for a moment at Communism and Socialism and see if they offer any possible alternative to private enterprise.

### VI. WHERE SOCIALISM FAILS

**T**HE only alternative which is proposed to the Capitalist system under which property and enterprise is left in private hands is Socialism.

The basic idea of Socialism is an attractive one. It is that the community should own the natural resources of the country, and the main means of production, distribution and exchange so that no individuals should make fortunes out of the necessities of the people, and that such unearned increment as accrued, should accrue to the benefit of the community as a whole. Communism carries this socialist idea to its logical conclusion, abolishes private property and private enterprise altogether, and makes every citizen a worker under the direction of the officials of the State and sharing equally in the products of the communal life.

Communism has been tried in Russia for the last four years and has failed. It has failed for two fundamental reasons which have nothing to do with the special difficulties it encountered in Russia since 1917. In the first place Communism will only work if every citizen is content to surrender all private property, and is willing to abandon every form of private initiative and activity and, like a soldier, to obey implicitly the commands of the bureaucrat.

## Where Socialism Fails

Unless all citizens either do this voluntarily or because they can be compelled to do it, Communism fails. It is possible on general principles to predict that human nature will not submit, except under pressure of a tremendous emergency, to abandon all private liberty in favour of such bureaucratic regimentation, and the experience of Russia, where the population is singularly docile and unenterprising, has confirmed in practice what one would expect in theory. In the second place Communism fails because even where the population is willing or can be compelled to obey orders, bureaucratic initiative is found no substitute for private enterprise. Every bureaucrat tends to play for safety. In any case it is improbable that all the enterprise and creative energy of the community will be found in the politicians and the bureaucrats, or that even such enterprise as is found among them will have the same scope under Government rules as under freedom. Universal experience points the other way. In any case Communism has failed in Russia not only because the peasants refused to obey orders but because Lenin has found it necessary to give the enterprise of the individual full play, if Russia is not to disappear as an organic entity.

But will Socialism put into practice prove much better ?

How is it going to deal with the competition of private enterprise ? Communism deals with it by prohibiting it—and that was bound to fail and has failed against the eternal impulses both of human nature and economic law. So long, however, as you leave the individual private property and the right of individual initiative, Socialism can only succeed by doing the work better. It may take over the land, the railways and the mines, and even the banks and the bigger shops, and a number of other important services if it can find the money with which to buy them—a very heavy charge—but if it cannot prohibit road transportation and new mines being started or foreign imports or private institutions lending the savings of individuals and new shops opening, what will happen ? If public enterprise is more



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efficient than private, then it will survive and the community will benefit. But if private enterprise is more efficient and produces a better article at a lower price, it will steadily but inexorably press the less effective Government service out of existence, just as motor 'buses and tubes in London have cut heavily into the business of the tramway system and are now beginning to cut into the business of the railways. While therefore there is a great deal to be said for nationalising or municipalising certain services, especially those nearing the monopoly stage, the argument for doing so is not that all private enterprise is bad and all government enterprise is good on religious or social grounds, but that in the particular instance it is beneficial.

Socialism, indeed, unlike Communism is not an attack on Capitalism as such. It leaves private enterprise unchecked, but trusts to improving society by proving by experience that a great part of the national activities can be more efficiently conducted by public rather than private hands. The success of Socialism is very doubtful as our war experience showed, and its progress must in any case be very slow. Moreover in competition with private enterprise Socialism offers no dramatic inducements to the workers. The conditions and wages of the workers in socialised industries, except such as are absolute monopolies, like the Army and the Navy, will not be appreciably better than the conditions and wages in private enterprise. Public ownership must pay interest on capital—including even capital wasted—and it must produce a commodity or a service at a competitive price. It cannot pay wages higher than are economically warranted without being driven out of existence by its rival. If for instance the nationalisation of the railways means higher freights or fares, mechanical transport will rapidly take such a share of the traffic as will make the railways financially bankrupt, ending either in their disappearance, or in wages once more returning to a level warranted by competition and the efficiency and hard work of the employees from top

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to bottom. Similarly with coal. A very high price of coal means that it will be imported more cheaply from abroad, or oil will be used in substitution. And if tariffs or legislation are used to protect socialised industries it will simply mean that British manufacturers cannot compete abroad, and one-third of our people will be unemployed and starving. As a matter of fact, experience shows that from the point of view of the employee the benefits of public ownership are not transcendent. There is not peace and harmony among the employees of the municipal enterprises of the Kingdom. Nor is there in the Post Office despite wages and conditions which have caused such a rise in cost that the community is in rebellion. Nor is there even in the co-operative movement, where the control is directly in working-class hands. Nationalisation may have advantages in many instances, but it certainly does not mean a paradise for the working man. Moreover, Socialism—stopping short of Communism—suffers from the serious burden in competition with Capitalism, that it can never write off its failures. It raises money on municipal or national credit and whether the enterprises on which the capital is expended fail or succeed it must still continue to pay interest on its bonds. As we have seen, private capital simply disappears, the individual being the loser. Socialism, therefore, unless it confines its activities to a relatively few safe monopolies is burdened by an ever-growing load of debt, increased in the name of creative enterprise, but lost through misjudgment or mismanagement.

Socialism is sometimes justified on the ground that competition is wrong. Competition merely designed to crush competitors producing the same articles is wrong. Competition in the form of an honest emulation in improving products and methods in the interests of progress is the life-blood of civilisation, and all attempts to do away with it will be as disastrous as they will certainly fail.

As a matter of fact Socialism is no alternative to



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Capitalism, so called. Communism is, but Socialism is not. Communism fails because human nature will not stand the substitution of a universal military discipline under bureaucratic control, for individual liberty as we, at any rate in the English-speaking world, have known it. It fails too because we are not more likely to find bureaucrats and politicians whom we will trust to control the smallest details of our private lives as well as the larger direction of commerce, transportation and industry. Socialism fails as a general alternative, because it allows private enterprise by its side. Socialism, as contrasted with Communism, is no more than the theory that public enterprise will gradually encroach on private enterprise because it is more efficient and more popular. But it does not, as Communism does, set out to prohibit or prevent private enterprise. It relies for its success on its demonstrated superiority and on nothing else. As the war showed, it is extremely doubtful whether in most spheres public management can compete against the ceaseless competition of private enterprise. Moreover, every attempt to make Socialism succeed by restricting private competition, for instance by holding up land, only makes its failure more complete, by rousing indignation against it for restricting the development and enterprise upon which our civilisation depends, in order to maintain high prices or inefficiency for its own products.

Both Communism and Socialism—as systems of society—are in their essence opposed to British instincts. They came to birth in Germany and they regard the community organised as an entity—the State—as everything. And it is to the State, which is another name for officials and politicians, that they would give all power. In the British Empire a different idea prevails. The Commonwealth is a society of individuals each living his or her own life with the maximum of freedom, but regulating their conduct with other individuals in accordance with laws designed to protect each from oppression or abuse. Individualism, and individual initiative, is the very foundation of British

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character. People believe in it with a passionate conviction and the working man himself is the first to resist the interference of the State. Neither Socialism nor Communism will ever succeed in the English-speaking world, even though experiments made with the nationalisation of certain monopolies, for business and similar reasons, may prove to be a success.

This does not mean that Capitalism is perfect. Far from it. But it does mean that in fundamentals there is no alternative to private property and private enterprise. The truth of the matter would seem to be that what is wrong is not the system, but the manner in which it is worked. It is rather like government. In the old days before democracy had been found a practical success, despotisms produced strong anarchical movements. In their distress people thought that government was the evil, and that if only it could be abolished human beings would spontaneously be not only free, but orderly, self-governed and happy. Experience dispelled the illusion of anarchy and showed that what was wanted was not no government, but good government. Then people set to work to improve the machinery and democracy was gradually evolved.

It is fundamentally the same with Capitalism. It is not the system which is wrong, but the way in which it is worked. Let us therefore examine for a moment where it has gone wrong, and that may point perhaps to the improvements possible in its working.

### VII. THE FAILURES OF CAPITALISM

**I**F Capitalism has achieved very remarkable results and if Socialism and Communism are not alternatives, no one can pretend that the existing system has been an unmitigated success. It is not the mere rebelliousness of human nature which produces Labour unrest, not in one



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country alone but all over the world. It is that the working man recognises that there is something wrong with the working of the capitalist system. It is not easy to define what that is, but the root of the trouble may perhaps be defined as follows. The capitalist and employing classes as a whole have abused the power and privilege of their position, they have taken too much out of industry for themselves, and they have been terribly callous and indifferent to the wellbeing and happiness of the millions whom they have employed. Property rights have prevailed as against human rights.

The case against the capitalist, indeed, is the same, at bottom, as that which has been made against the feudal barons, against the Stuart kings, against the ruling families of England up to 1832, and in general against all minorities possessed over a long period of privilege and power. In all these cases the minorities in question won their position by conferring undoubted benefits upon the community, and by performing indispensable functions with sufficient competence. But one and all succumbed to the temptations of place and power and in due time have abused their powers as against their neighbours, and come to regard their privileges as a sort of natural right belonging exclusively to themselves. Perhaps the most conspicuous case was that of the ruling families of the eighteenth century. The descendants of those who had expelled James II and called in William III and so finally consolidated the powers of Parliament as against that of the Monarchy, practically usurped the royal prerogative for their own ends by making Parliament a packed body of their own nominees. And once in power, while preserving the national security and playing a leading rôle in Europe, they used their powers to protect and extend their own privileges at home. The story of the disappearance of the ancient village under the Enclosure Acts, of the degradation of the free labourer, of the ferocious game laws, of the growth of luxury and ease among the aristocracy are commonplaces of history and

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have nowhere been more scathingly exposed than by Disraeli in *Sybil*.

The failure of the capitalist employer has been of the same kind. His function has been, in essence, a beneficent one. He has, in his capacity as entrepreneur, organiser, manager, or purveyor of capital, built up the economic foundation of modern civilisation, without which mankind would be without cheap transportation, cheap food, cheap literature and education, and cheap amusements. Where he has failed has been in his treatment of Labour. The story of the conditions in industry before the Factory Acts is still fresh in men's minds—of the sweated workers, of women and children working 12 to 16 hours a day for the most miserable wages, of the evils of the truck system, of the unyielding refusal to allow the working man to combine in self protection. Things are infinitely better now partly owing to legislation, partly to the efforts of the trade unions, partly to the growth of a more humane and responsible opinion among the employing classes themselves.

But things are not right yet, or nearly right. The capitalist is still too separated in point of view from his employees. He is separated from him physically in that he tends increasingly to live in rich suburbs and not to mix either in business hours or socially with the workers. He is separated from them by the fact that industry is still looked upon too exclusively as a "business" proposition, as an affair of dividends, and not as a human concern in which the wellbeing and happiness of all engaged are in the constant thought of those who have control. He is separated from them by the tradition that ownership is everything and confers rights rather than obligations, and entitles the owner to take all he can after buying labour in the cheapest market. The golden rule, "Do unto others as ye would that they should do unto you," is good business as well as good Christianity, and viewed from that standpoint the Capitalism of the day is still self-centred, grasping



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and inhuman, from the point of view of those it employs. There are countless instances where this is not true. Many employers are model Christians. But looking at the system as a whole the motive of making profits first and leaving Labour to look after itself, is still predominant in the land.

It is true that Capital takes risks, and has the responsibility for making business solvent, often a grinding and remorseless responsibility. Labour never appreciates the strain and burden which the employer has to carry. It is precisely the risk and responsibility he takes that entitles the capitalist to fair profit, and makes him indispensable to Labour. But he does not take all the risk. By far the most serious risk, that of unemployment with its tragedy for women and children, is taken by the working man. The country will never recover prosperity by ignoring economic laws, as some labourites would like to believe. But neither will it recover prosperity by ignoring human feelings and human rights, and acting in the spirit of "am I my brother's keeper?" instead of that of the golden rule.

The effect of these defects can be seen in two principal evils which confront us when we look at the working of the capitalist system to-day. The first of these evils is the relation between employer and employed. In earlier times the employer wielded practically autocratic power as against Labour. He could take on or discharge. He fixed the rules as he chose. He had a preponderant power in fixing wages. He controlled the conditions of work. He alone knew the financial condition of the business and could profiteer as he chose. His autocracy in all these respects was practically unchecked, and there is no doubt that too often he used his power unmercifully. Labour has always protested and still protests against this autocracy. It claims to be consulted, to be taken into the employer's confidence, to have a voice in fixing conditions, so that it will be a partner or an associate in industry

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instead of a "serf." We need not stop here to consider the way out. It is perhaps the most difficult of all industrial problems to give labour a share of responsibility and power while retaining discipline, efficiency and proper organisation. The point we wish to make now is to draw attention to the evil effects of Capital's excessive autocracy. Labour's answer has been Trade Unionism. Trade Unionism has achieved great results for the working man. It has given him status, rights and protection such as he did not possess before. But Trade Unionism has lately become a menace to national prosperity and to the security and employment of the working man because it in turn is abusing its powers and privileges. Yet Trade Unionism in its present form is the outcome of the manner in which Capital has used its position and powers in the past. The autocracy of Capital is being met by the autocracy of Labour. Thus on the one side you have constant charges by Labour that the employer is profiteering, is victimising employees, is rate-cutting unfairly, is harsh, autocratic and inhuman in his management of the works. And on the other, you have the constant charge by the employer that the trade unions are restricting output, are resisting new machinery, are sullen and unwilling and generally making it impossible for industry to live under competitive conditions. Yet no business, no industry and no nation can thrive on the basis of a constant struggle, and of the use of force—strike or lock-out—by two partners who are indispensable to one another. This then is the first great defect in the working of Capitalism, that it has led to a state of war between Capital and Labour which is a grave menace not only to employer and employed but to the community and its prosperity as a whole.

The second respect in which the existing order is unsatisfactory is in the distribution of the proceeds of industry between employers and employed. If we look at Great Britain or any other industrial country since the industrial revolution it becomes obvious that the great



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bulk of accumulated wealth stays in the hands of a relatively small financial aristocracy, while the mass of the population remains at or near the subsistence level. That subsistence level has risen during the war, but the rise was due to artificial conditions and the tendency to-day is for it to fall again to the 1914 level, if not below it. Further, while before the war certain of the working classes were above the subsistence level, a very large section—what Sir Henry Campbell-Bannerman once called the submerged tenth—were chronically below it. Finally, the whole working population was open to the constant devastating menace of unemployment with its terrible suffering and anxiety for women and children.

Nobody can say that this is a healthy condition for any nation. Not only does it mean poverty and privation at one end of the scale, and luxury and display and social exclusiveness at the other, but it breeds a sense of injustice and class feeling which permeates and damages every aspect of the national life. The strength of the Labour movement to-day lies very largely in its passionate determination to prevent the continuance of a state of affairs which, as things stand to-day, will produce for ever a steadily increasing feudalism of wealth. Sir Robert Hadfield said only the other day that before the war Capital took too much out of industry as compared with Labour. And the co-partnership settlement of the coal dispute admits the same thing. In its general attitude on this point Labour is right. No community can be healthy or happy or united in which there are such immense inequalities of wealth. The happy nation is the one in which all have plenty, social barriers are swept away and there is intercourse and friendliness between all classes. Yet what prospect is there of the existing order eventually yielding such a result? There is none. No sensible man can believe that if things went on as they were before the war, at the end of fifty years the rich would not be richer, more exclusive in their society, and more lavish in their display, while the working classes,

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even if their standards of living had risen somewhat, would not still be what they are to-day, the hewers of wood and the drawers of water for the financial aristocracy of the times.

Finally, Capitalism has prided itself on one virtue, efficiency. Recent events, particularly the coal strike, have given a rude blow to this pride. It is no longer possible to say that all ability and knowledge is confined to capitalist ranks, and that Labour cannot add to the efficiency and wisdom of management. Capitalism in England has too often shown itself wooden, traditional, as slow to make changes in its methods as the trade unions have been to make changes in their rules. It has resisted wages where with more efficiency and alertness and enterprise on its own side it could have paid them. There is little doubt that with confidence and good feeling Labour could make its contribution to efficiency and low working costs in other ways than by the use of its strong right arm alone.

### VIII. THE FAILURES OF LABOURISM

**A**S usual when there is a quarrel, there are two sides to the question. We have seen something of the capitalists' mistakes, and in so far as Capital has had the power the greater share of the responsibility for our present troubles must be laid upon its shoulders. Still there is a heavy charge to be laid against organised Labour too, for their conduct in recent years.

The early history of the trade union movement was one of hard struggle against great odds by a set of remarkable men. The power of the employer was enormous. Till the extension of the franchise he had behind him the support of Parliament and the governing classes. For decades it was illegal for workmen to combine. Yet despite all difficulties Trade Unionism through the moderation and good sense of its leadership gradually won



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wages and hours and conditions of work which were an immense advance on those prevalent in the early Victorian age, and gave to the organised workers a power and status very different from that of their agricultural fellows.

But of late years another tendency has made itself manifest in the trade union world. Partly owing to the spread of doctrines from the continent of Europe, partly owing to the entry into trade union activities of a younger class, better educated and with stronger ambition, the policy of the trade union movement has of late deserted its original sphere—the improvement of the working of the economic system in the interest of the worker—and has become largely political in character. In some measure that has been right and desirable. But together with an honest consideration of the wider aspects of social and economic policy there has grown up also the doctrine of class war. Instead of the gospel of co-operation, Labour literature has preached a gospel of hatred of Capitalism and of non-co-operation with capitalists as a class. It has promised vague socialist or syndicalist millenniums if only the rank and file would follow its leadership and strike or vote to order. Instead of studying economics scientifically and with a view to finding out how industry, out of which alone wages can be paid, as a whole would prosper, the Labour world has ignored the fundamental truth that high wages and short hours can come only from work efficiency, capital and enterprise, and has toyed with the idea that they can come from a redistribution of accumulated wealth or the reconstruction of society on socialist lines. The capitalist has been elevated into a monster, and everything that could hinder his lawful activity, trade union restrictions, ca' canny, strikes, were regarded as good things in themselves, because even if not immediately successful, they all helped to bring into discredit and ruin the existing individualist system of society.

In consequence the Labour world to-day is not doing

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what will in practice help to improve the lot of the working man and the prosperity of the nation. Its policy is as one-sided on its side as Capital's on the other. It is as callous and indifferent to the first principles of industrial enterprise, as Capital has been to the humanities of industry. It is drifting along preaching an economic Socialism in the form of nationalisation which its most responsible leaders do not believe in. It is hindering by its rules and regulations and its tacit condonation of class war the reduction of the cost of production, which multiplies unemployment. And it is contenting itself with fighting rearguard actions against reductions of wages on lines suited to the mid-Victorian era, but utterly inappropriate to the times in which we live, and utterly futile from the point of view of bettering permanently its clients. As we have seen, Socialism is not going to solve the industrial problem and provide employment for all at adequate wages. Nothing is going to do that but enterprise, efficiency, saving and hard work on the part of all, resulting in Great Britain selling good articles at cheap prices and entering once more into its rôle of adventurous enterprise. Yet Labour shows no more comprehension of this than Capital shows of Labour's point of view. It goes on grinding out hatred of the capitalist system, talking about nationalisation and socialisation as a universal panacea, while in practice its policy is hindering the only process by which as a nation we can get back to high wages, short hours and full employment.

If therefore we say that the present state of affairs is partly due to the callousness and greed of a great part of Capital, we must also add that it is due to the hatreds and the false economics of a great part of Labour.

Capital is not in itself a monster. It represents creative power, organising ability, the willingness to sink money in taking risks in making some new utility for the sake of future returns. It represents all that side of industry which precedes full employment. Without Capital, Labour



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cannot earn wages or secure employment in the modern world, just as without Labour Capital cannot earn dividends. Just digging a hole, however hard the work, will not produce a living. It is digging it in the right place that matters, and those who can organise Labour so that its energy is productive deserve not only a fair profit, but recognition and support. Labour cannot work for months and years without wages, building great buildings or docks in the expectation of the public using them, because it has to live in the meantime. Nor can it afford to take the risk involved in great enterprises. All this is the function of Capital, an indispensable function, indispensable alike to Labour and the progress of civilisation, and one entitled to fair reward. And that is why all plans for Syndicalism and Guild Socialism, in so far as they are attempts to get rid of Capital and the capitalist, and not improved systems for co-operating with them, will also fail. They are nearly all vitiated by the desire to eliminate the capitalist as such instead of by the far saner idea of keeping him within his legitimate place.

To talk about profits as evil is sheer nonsense. Profits are the reward of foresight and judgment or the intelligent taking of risks, or of lending to others of your own substance in order that some new idea or method may be made available for man, just as wages are the return for Labour. Profiteering—that is, taking an unjust share of return as against the share given to Labour, or charging unfair prices to the consumer, by combination or monopoly—profiteering is wrong, exactly like taking a fair day's wages for a half day's work is wrong, and both are bad economics as well as bad morality.

And if we look at the problem on the largest lines what is the ultimate way out? Is it not that all should be both workers and capitalists themselves? Both are functions which every individual ought to perform, and in proportion as he does them skilfully ought he to secure a due reward. And in no other way is it possible for the

## The Way Out

working man to lift himself permanently on to a secure basis. There will for many a decade be a certain amount of insecurity in employment. You must not and you ought not to get rid of competition in industry. It is the breath of progress and of life. What matters is making the main-spring of competition emulation and not the destruction of a rival. Despite all that can be done by Labour Exchanges, therefore, to facilitate movement, there will be periods of uncertainty for Labour, just as there will be ups and downs for Capital. The real security is investment, for it both provides against bad times and steadily raises the standard of living in good times. And investment is a good thing in itself for it encourages that creative and developing process without which no country can give full employment to its people. If therefore we look forward will not the social millennium be nearer, not when everybody is socialised, but when every citizen does his day's work, finding his happiness in such service, and when every citizen is also a capitalist investing his savings intelligently and constructively and drawing from them a steady income which will lift him permanently above the fluctuating level of wages due to foreign competition, and also give him that margin which he needs for the recreation and education of himself and his family? In this way and in no other can prosperity, equality and freedom be combined.

### IX. THE WAY OUT

**I**F the ideas in the foregoing pages are fundamentally sound the way out of the Capital and Labour impasse is the recognition by both sides that they must work together on fair terms. Capital has to make up its mind to take Labour into partnership, treat it as an associate equally concerned with itself in the success and conduct of business, and distribute the proceeds on a basis which is just, and recognise that the well-being and contentment of the



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employé are as important an end as efficiency and dividends. Labour on the other hand has to drop the class war and the social revolutionary millennium, and accept partnership with Capital on terms which secure it a fair share in their joint enterprise, and then do its best to make the partnership a success.

It is not the purpose of this article to work out details. Nor would it be of use to attempt to do so. It is impossible to dogmatise about the terms of partnership. Some people declare for co-partnership, others for the representation of the workers on the Boards of Directors, some for guilds, others for other schemes. All we can say is that the conditions of industry vary so infinitely that no one system will work universally. Each industry, perhaps each business, must work things out for itself. What matters is a change of attitude on both sides—a friendliness, a trust, a determination to co-operate and share justly and fairly with others, a recognition of mutual service, a willingness to work, a spirit of real and true comradeship, open diplomacy with the cards on the table. This spirit is the only thing which will transform industry. When both parties, forgetting the past and dealing justly, fairly and openly with one another, agree to work loyally together, giving to each a fair share in good times and bad times alike, then industry will begin to revive. Strikes and lock-outs will cease, output will rise, costs will fall, wages will rise and savings increase, the factory or the mine will be a happy instead of a sullen spot, and ways and means will be found for mitigating in each industry that greatest of all troubles of Labour, unemployment. The spectacle—the barbarous spectacle to which we are now accustomed of seeing ever greater aggregations of capital and ever larger alliances of Labour organising for war against one another when they ought to be dealing with the problems of industry hand in hand—will disappear, and as the proceeds of industry are more justly distributed and association between Capital and Labour becomes more friendly, the social gulf will begin

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to disappear, the class divisions will lessen, and the working man will be able through his savings to share as a shareholder in the problems which confront the capitalist. Capital and the menace of a financial feudalism living on an underpaid people will vanish away.

This is not the whole story. But it is the beginning. There are many other features of the existing economic order, other than the relations between Capital and Labour, which require examination and reform. The watering of capital, the conditions under which Companies and amalgamations are floated, the methods by which their conduct is controlled by shareholders, a whole collection of international industrial problems, are waiting for solution. There is the question of whether the State cannot find some better way of dealing with the aggregation of excessive wealth in a few private hands than by income tax and death duties. There is the problem of the idle rich. But all these problems will be dealt with both more wisely and more rapidly, once the present insane conflict between organised Capital and organised Labour is out of the way, and the brains of Labour, instead of toying with plans for destroying Capitalism, turn their attention to improving the efficiency and the justice of the existing economic structure.

It is in this way and in this way alone that we shall come through our present impasse. Until we get a real concordat between Capital and Labour based upon an agreement as to the future, we cannot get back to the prosperity, the wages and the employment of 1914, far less better them. Nor shall we be able to make our national finances balance or be able to support our unemployed with adequate doles. When everybody works his best, because he knows his work will bring him a just return, when efficiency rises because both Capital and Labour have ceased to quarrel and have put their minds into the problem of developing trade and markets, when enterprise is encouraged and made possible, because all classes recognise the necessity and the public



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spirit of saving, when the class war has made way for class co-operation because all recognise that it is right that everybody should be at once a worker and a capitalist, then things will begin to move. Foreign trade will revive, because enterprise has revived, orders will come in and employment will return, and we shall see a society, freer, more prosperous, more equal, fully employed, more democratic, and far happier and more contented than it is to-day.

This may seem an optimistic dream. But on a dispassionate survey is there any other way? We cannot attain it by going on as we are. We cannot attain it by revolutionary and socialistic panaceas. Is there any other road than the old one of substituting friendship for hatred, co-operation for autocracy or conflict, sharing and fair play for greed and callousness, ending in hard work, efficiency and good will in supplying our own and one another's needs? And when we tread this road shall we not find that it is leading in truth to the very goal of social happiness and national peace which we have all had in view?

## THE IMPERIAL CONFERENCE FROM AN AMERICAN STANDPOINT

*The following article is from an American pen and the second part of it is of particular interest at the present moment in view of the Conference that is to take place in the Autumn at Washington, for it deals with the Anglo-Japanese Alliance from an American point of view. The standpoint taken by the writer is not one for which we accept responsibility. It differs indeed in some respects fundamentally from our own. Simply to break the old tie with our Japanese Allies would, we believe, considerably increase the risk of another world war, in which the dividing line would this time be "colour" and the resulting bitterness, thanks to the chasm that already separates East and West, even greater than that which has been left by the late struggle. No one can foretell the future. It lies on the knees of the Gods, but its main hope rests, we are convinced, not in the abandonment of such association as already exists, but rather in its adaptation and in its extension to the other great nations whose interests intermingle in the Pacific so that all of us may work together for the good of East and West alike. In particular we feel that the welfare of China depends upon such co-operation being established. To play our part at the side of our kinsmen across the Atlantic has long been the most cherished desire of our people. To use the Prime Minister's words at the Imperial Conference it is "a cardinal principle for us." \** Once already this desire

\* The terms in which the Conference itself endorsed this view will be found in its report which was issued after this note was printed.



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*has been fulfilled, in war, and now the coming Conference opens a prospect of further association which this time, if our hopes are realised, will preserve the peace of the world at present threatened by the storm clouds in the Pacific. For it would embrace not only those who to-day are friends or allies, but also those who are potential enemies. Existing friendships and ties will indeed for such an end be of the utmost value, for the influence that they carry with them can and must be used to bring about a general co-operation. Once it is established, differences and antagonisms, which a cleavage on colour lines would accentuate and perpetuate, will melt away.*

*The peculiar character of our world-wide Commonwealth places it in an unusually favourable position to assist this much to be desired result. We are of the West just as America is, but we have had an unusually long and close connection with the East, and the East as well as the West has its part in our Commonwealth in which one of the greatest of Eastern peoples is fast assuming a place hitherto reserved for the White Dominions.*

*The secrets of the Oriental mind are considered to be inscrutable for the West, and to-day want of contact, to use the word in a human and psychological rather than in a physical sense, for there can be intercourse without touch, is one of the chief factors that keeps the two worlds apart. The danger to-day lies indeed not in any desire for war—no one wants it—but rather in the growth of a sort of fatalism bred of despair which comes more than anything else from a want of mutual understanding.*

*Here again it will help matters that our system embraces so much that belongs to the East and that it should be so closely connected with it.*

*At this moment above everything else something is wanted to span the gulf between the Western world and Asia, and it is our belief that our Commonwealth can and should supply the bridge.—EDITOR.*

## American Standpoint

### I

**E**VEN apart from the interest which Americans must always take in the affairs of the British Empire, there are features of the Imperial Conference which make it uniquely interesting on this side of the Atlantic and, shall we add, on this side of the Pacific. As a former member of the British Imperial family, America has a more than passing interest in the solutions which are to govern the future of that family. In considering that future, one almost inevitably glances down the vistas of the past. It is difficult to forbear from speculation as to what might have happened if Lord North in the year 1774, instead of furthering the passage of the Boston Port Act and the Massachusetts Government Act to bring the Bostonians "to a speedy submission," had asked Patrick Henry and the Adamses, George Washington, Benjamin Franklin and Thomas Jefferson to a conference in London. If such a course had been pursued, American history would certainly have been quite another story, a story in which very possibly Thomas Paine would not have heard "the weeping voice of Nature" cry "'Tis time to part," the Virginians might not have felt that "George the third, King of Great Britain and Ireland, and Elector of Hanover, heretofore entrusted with the exercise of the kingly office in this government hath endeavoured to pervert the same into a detestable and insupportable tyranny," and the good citizens of Philadelphia might not have been disturbed by the clangor of bells in Independence Hall.

So much for the thoughts of history as it might have been. To those Americans whose interest in British affairs consists mostly in preoccupation with the Irish question, it is probably of greater interest to note that while many statesmen advocate the Dominion status as the only true solution of the Irish problem, others are busy in an attempt to determine what the "Dominion status" really means.



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And that in itself is a problem of sufficient import to challenge the capacity of the ablest statesman.

What does the Dominion status mean with respect to imperial diplomacy, imperial citizenship, and imperial defence? These are a few phases of the problem which the British Empire or the British Commonwealth must settle. They are the household questions of the British family. If the Imperial Conference can settle them, it will indeed have done a great work. If the Imperial Conference can even agree on a few broad principles under which posterity may work out imperial relationships it will have done a great work. Very likely, however, the Conference will do neither and on that account it is not to be esteemed the less highly. The British way in politics has ever been to proceed from practice to principles. So it is no surprise to be told that the Conference is not to be a discussion about the constitutional relations of the constituent States but about immediate practical programmes.

Nevertheless it appears to Americans that apart from theoretical questions which give rise to the most fascinating and inexhaustible speculations and apart from the future of the Anglo-Japanese Alliance which we consider later, the Conference must reach conclusions which are of the utmost practical consequence to America. Suppose, for instance, that we wish to adopt with Australia some common policy with reference to Asiatic immigration. May we deal directly with Australia or must all negotiations now as in the past be with the Foreign or Colonial Offices in London? May we make this arrangement with Canada and that with Australia and the other with the United Kingdom? If we deal with Australia alone, may we assume that our contracts will be given full faith and credit in London? On such questions as these it would probably be as presumptuous for an American to advise as to predict. If, however, the principle of federation is to be regarded in the future of the Empire, imperial statesmen can afford

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to give more than a cursory attention to the study of American history and government.

The American solution for the Union of the thirteen original colonies, it is scarcely necessary to remind British readers, consisted of a Federal legislature with a Federal judiciary and a Federal executive. Through that Federal executive all treaties must be negotiated. Ratification thereof must subsequently be given by a two-thirds vote of the upper Chamber of the Federal legislature in which each of the states has equal representation. Nothing of course could be more contrary to the spirit of American Union, than that California should restrict Asiatic immigration and Oregon permit it or that North Dakota should have reciprocity with Canada and Maine a protective tariff on potatoes and pulpwood. If the new British system is to permit to the Dominions any such liberty with regard to foreign affairs and the diversity of relationships which such a liberty presupposes then the several component states of the British Commonwealth are to enjoy an autonomy quite undreamed of by any member of the American federation. This of course is to be taken as a simple statement of facts and not as an argument. Canada and Australia though respectively less populous than New York or Illinois are of course nations in a sense that the latter can never be. And it may well be that the great component parts of the Empire should be granted an autonomy far wider than any known in the American Union of States. This is implicit in Mr. Lloyd George's assertion that "in recognition of their services and achievements in the war the British Dominions have now been accepted fully into the comity of nations by the whole world. . . . They have achieved full national status, and they now stand beside the United Kingdom as equal partners in the dignities and responsibilities of the British Commonwealth." It is equally implicit in the public utterances of many Dominion statesmen. The promised presence of a Canadian Minister at Washington is evidence



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of the adoption of this principle. And yet we are in the dark as to what may be the scope of such an envoy's authorities. Nor do we know what intentions exist as to the presence at Washington of other Dominion representatives. Undoubtedly the relations of the United States with Canada are of unique intimacy. Nevertheless if the principle of Dominion diplomatic representation is once accepted, it seems but justice to accord to Washington the privilege of receiving representatives from Newfoundland and South Africa, Australia and New Zealand.

The point which strikes an American most forcibly is that while the Imperial Conference is apparently quite a definite step toward a federal executive of the British Empire, and the Judicial Committee of Privy Council has some features of a federal judiciary, there appears to be thus far almost no step toward a federal legislature. There seems to arise therefore an anomalous situation. The Parliament at Westminster is supreme within the Empire while the Executive in Downing Street is an executive for the United Kingdom only and not for the Empire. Or if it be granted that the Parliament at Westminster is to waive all claim to the supremacy on which for so long it insisted, wherein lies the power to legislate for the Empire? Surely not at Ottawa or Canberra or Cape Town. And if there is no legislative supremacy what becomes of imperial unity? What about our cherished friend the Austinian sovereign? Suppose that while an Australian premier is conferring with his colleagues in London he is overturned by his constituents at home. Would not this have almost as unhappy effect on the deliberations of an Imperial Cabinet as the defeat of Mr. Wilson at home had upon the Treaty of Versailles?

The doctrine of the hour is not imperial unity but Dominion autonomy. There has been, to be sure, a suggestion that the House of Lords should include representatives from the Dominions and such a step would undoubtedly be in the direction of a true Imperial Legis-

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lature, but so far as we know in America the suggestion has not been viewed as practicable or useful. And we are forced to return to the conception of six or seven independent nations struggling it may be toward a common goal, but each at liberty to choose its own path. In short we are constrained to see the Empire as a Crown and not a Legislature. Of what goes on from day to day at the Conference we in America are permitted to know almost nothing. But we observe these tendencies and recall the Nationalist movement in Egypt and in India, the cry for self-determination in Ireland, and the general election on the separation issue in South Africa.

Does it mean that without any sensational disruption, the Empire is really peaceably disintegrating just as some vast fragment of the Greenland ice-cap drifting southward into the rays of a warmer sun is transformed into a dozen glistening icebergs? We venture to express the hope that it does not. In spite of the Irish question there are many Americans who look upon the British Empire as a whole not merely greater than any of its parts but greater than the sum of all its parts. They believe that with the American Commonwealth it is the greatest instrument of civilisation on the globe; that properly administered it promises more blessings to mankind than any single human institution; that it is in fact in the words of the British Premier, "the most hopeful experiment in human organisation which the world has yet seen,"—"a saving fact in a very distracted world." Is it any wonder therefore that intelligent Americans regard almost with bated breath the result of the determinations in London?



# The Imperial Conference from an

## II

**A**MERICAN interest in the Imperial Conference is not, however, confined to an interest in the future of the British Empire. Of even more immediate concern to America is the renewal or the termination of the Anglo-Japanese Alliance. Nothing but adherence to the order of climax could justify any postponement of the discussion of this topic to the domestic questions of the Empire however vital. To America the Anglo-Japanese Alliance is the all-important thing.

As these words are being written the news is announced that President Harding has called for a conference of the Great Powers on the question of disarmament. It is tacitly understood that such a conference will comprehend within the scope of its agenda the adjustment of international relations on the Pacific and in the Far East and that before the Conference there can be no effectual conclusive action on the Anglo-Japanese Alliance. This is precisely as it should be, at least from the American standpoint. Nevertheless as the question is one of the very highest importance, not only for America and the High Contracting Parties, but for the world at large, it is proper to discuss it at considerable length.

The history of the Anglo-Japanese Alliance is set forth in **THE ROUND TABLE** for December 1920. The importance of the Alliance is commensurate with the importance of the Pacific as a basin for the world's commerce. It is impossible to over-estimate it. Nothing said at the Conference will ring truer to American ears than the words of General Smuts :—

Undoubtedly the scene has shifted away from Europe to the Far East and to the Pacific. The problems of the Pacific are to my mind the world problems of the next fifty years or more. . . . Three of the Dominions border on the Pacific. . . . There, too, are the United States and Japan. There also is China; the fate of the greatest human population on Earth will have to be decided. There Europe,

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Asia, and America are meeting, and there, I believe, the next great chapter in human history will be enacted.

Inextricably involved with the Anglo-Japanese Alliance is the question of disarmament and naval policy. The best approach to the consideration of the Alliance is indeed from the standpoint of disarmament; and this will certainly be the approach taken by the Conference that is to assemble in Washington on November 11, 1921. There is really only one feeling in the world about disarmament. There is not a responsible statesman anywhere who does not know that competitive armaments are the way to utter ruin. There is not one who does not know that the logical outcome of competitive armaments is suspicion, that the outcome of suspicion is war, that the outcome of war may ultimately be the virtual extermination of human life on this planet.

On the other hand the difficulty which has proved hitherto insuperable is to get any two statesmen, still more any two nations, to agree on the mechanism of disarmament. This difficulty is born of the distrust that lies at the base of almost all international relationship. The thesis of this article is that the Anglo-Japanese Alliance breeds distrust and should be terminated.

The existing treaty, it is said, could not oblige Britain to go to war with America on account of Article IV which exempts either party from going to war with a nation with whom it has a treaty of arbitration. It is true that an arbitration treaty between Britain and America was negotiated by Mr. Bryan in 1911. But this treaty was never ratified and it is therefore doubtful whether Article IV has the effect commonly ascribed to it. This, however, is a point of minor importance because no doubt in any renewal of the treaty there would be a provision expressly and unmistakably negating the possibility of any combination of the Contracting Parties against America. The leading British statesmen have spared no pains to point this



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out. Viscount Grey said it clearly a good while ago. Mr. Austen Chamberlain has said : " We shall be no party to any alliance directed against America or under which we can be called upon to act against America." Mr. Lloyd George and all the Dominion premiers have said the same. Lord Northcliffe has told us our suspicions are unfounded and gone to great length of analysis to show why. Baron Hayashi has assured us " with all the emphasis at his command that the Alliance will never stand in the way of the good understanding and friendly relations between Great Britain and the United States of America." Baron Shidehara, the Japanese Minister at Washington, has said it all over again more plaintively than anyone. And a chorus of statesmen and diplomats has chimed in. There is something disturbing to Americans in all this protest of good will. There is something to suggest that these gentlemen protest too much.

One cannot of course be too cautious in describing public opinion in America on the Anglo-Japanese Alliance. It is probably safe to assume that not ten per cent. of the American population has ever heard of it and that in the average mind it is far inferior in public interest to the Dempsey-Carpentier " fight " just as the average Englishman would probably esteem it as of far less consequence than the winning of the Derby. We are speaking, be it remembered, of public opinion in that informed minority who bother themselves with questions of international politics. For them it is not sufficient to be assured that the Alliance is not " aimed at the United States." Very few Americans outside Mr. Hearst and a limited group have so complete a distrust for Britain as to suppose that she is leaguering herself with Japan for the purpose of fighting us. But Americans do wish to know the real reason for the continuation of the Alliance. They regard the burden of proof as on the supporters of the Alliance to explain it and show that it is good.

When the Alliance was formed Imperial Germany with

## American Standpoint

an ever-increasing sea-power was threatening to dominate the Orient. And the vast Russian grizzly was having his portrait painted by all the cartoonists with a huge forepaw reaching out from the snows of the Himalayas to the suns of India. The danger from Germany is now removed. The danger from Russia is removed. Whatever the menace of Bolshevism to India it is scarcely a menace which the Anglo-Japanese Alliance will mitigate. There appears therefore to be no occasion for the Alliance on its defensive side. If it exists simply as an expression of international friendship and amiability, why should it be of the limited bipartite character which it now possesses ?

If we look to Mr. Lloyd George's statements as to the reasons for the continuance of the Alliance we find him reported as saying :

We have found Japan a faithful ally who rendered us valuable assistance in an hour of serious and very critical need. The British Empire will not easily forget that Japanese men of war escorted the transports which brought the Australian and New Zealand forces to Europe at a time when German cruisers were still at large in the Indian and Pacific oceans. We desire to preserve that well-earned friendship which has stood us both in good stead, and to apply it to the solution of all questions in the Far East where Japan has special interests and where we ourselves like the United States desire equal opportunity and the open door. Not least among these is the future of China, which looks to us as to the United States for sympathetic treatment and fair play.

Precisely so. *Mutatis mutandis* these words might have been penned by the American State Department. They offend no one. But if grounds of gratitude and friendliness are to be the bases of a new alliance we repeat why should that alliance be limited in its character ? And why should it be between Japan and Britain more than between Britain and France or Britain and the United States or forsooth between the United States and China ? And yet what feelings would be aroused in England by an Americo-Chinese Alliance ? Can anybody imagine a more sinister reversion to the doctrine of the balance of power



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than the setting of an Anglo-Japanese Alliance off against an Americo-Chinese Alliance? And is it any argument for either alliance to say that it is not likely to provoke retaliatory alliances?

It may seem very foolish now to remind ourselves that five years ago we were talking of the "war to end war." If these better dreams of mankind are all to be discarded and the worst that has been said in America of the League of Nations to be accepted as the gospel, then perhaps there is nothing in the Alliance one can object to. But if we are to do anything to make the new era one of general amity instead of one of amity by contract for a valuable consideration, there seems to be no defence for the Anglo-Japanese coalition. It can accomplish no good thing which cannot be better accomplished without it. It can most certainly accomplish evil which may otherwise be avoided.

In the ultimate action on the Alliance, America is likely to read her answer to the solemn questions of General Smuts:—

Will the new history of the Pacific be along the old lines, will it be the old spirit of national and imperial domination which has been the undoing of Europe, or shall we have learned our lesson, shall we have purged our souls in the fire through which we have passed? Will it be a future of peaceful co-operation, of friendly co-ordination of all the vast interests at stake? Shall we act in continuous friendly consultation, in the true spirit of a society of nations, or will there once more be a repetition of rival groups, of exclusive alliances, and finally of a terrible catastrophe more fatal than the one we have passed through?

Meantime our thoughts turn hopefully to the next great International Conference—that which is to assemble in Washington on November 11, 1921. Nothing since November 11, 1918, has raised the hopes of mankind higher than the prospect of real accomplishment in the direction of disarmament and international candour. There are those to be sure who warn us that "nothing can be done."

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There are those who see in Mr. Harding's invitation only a clever political gesture. There are others, irreconcilable others, who see in the prospect a dangerous step away from the declared principle of American "non-involvement" in international affairs. They point out that one cannot discuss disarmament at sea without discussing also disarmament on land, and that the question of armament on land is inseparably connected with the question of reparations and the enforcement of the Treaty of Versailles. There seems to be considerable force in this apprehension. To others it will appear as a hopeful sign that this Conference whatever its nominal purpose and whatever its formal agenda cannot fail to become a clearing house of ideas. It will certainly have a far wider scope than would the conference proposed by Senator Borah when he moved as an amendment to the Naval Bill in the Senate—

that the President be authorized and requested to invite the Governments of Great Britain and Japan to send representatives to a conference which shall be charged with the duty of promptly entering into an understanding or agreement by which the naval expenditures and building programs of said Governments—the United States, Great Britain and Japan—shall be reduced annually during the next five years to such an extent and upon such terms as may be agreed upon, which understanding or agreement is to be reported to the respective governments for approval.

It is fortunate on the whole that the Conference will be held in Washington where it will seem to suspicious Americans as rather more of a domestic growth than anything produced in the hothouses of Versailles. The unhappy experiences of 1919 should afford us a wholesome lesson from many points of view. One would like to have a fine phrase of Mr. Wilson's reinvested with meaning. One would like to be able to speak without rather a bitter smile of "open covenants openly arrived at."

The United States of America.

July 22, 1921.



## PROBLEMS OF EUROPE

### I. INTRODUCTION

SOME months ago when Lord Derby resigned the post of British Ambassador at Paris, he made a speech in which he advocated an open alliance between France and England. The proposal attracted attention; it was for a short time the subject of comment and discussion, but it has gradually been dropped. The reason seems to be that no one can approach the question without realising how great are the complexities of it. It may truthfully be said that the problems of our foreign policy are to be summed up in the relations to the United States and to France. In order to understand the full complexity of the latter we must disentangle the different threads of which the present tie is composed. Let us first go back to the early days of the Entente. What happened in 1904 was that the two Governments agreed to a friendly settlement of numerous points of conflict which had arisen in different parts of the world, Egypt, Morocco, Newfoundland, the Far East. It was found that with a genuine desire to come to an agreement, matters which had brought the two countries to the very verge of war could, if discussed on their merits, be settled in a manner which was satisfactory to both parties. The first stage then was the removal of positive grounds of difference. This naturally led to a disposition towards a frank and friendly discussion of new problems as they might arise, which was of great value to both sides. If the Entente quickly developed into

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something which was scarcely distinguishable from a formal alliance, the cause must be found in the action of Germany. It was Germany who, by attempting to destroy the Entente, the existence of which was most inconvenient to her, strengthened and cemented it. For nearly ten years the process continued. It was to the interest of German ambitions that she, as the strongest military and even naval Power on the Continent, should have to deal only with isolated states; as soon as England and France came together Germany found that she was confronted by a diplomatic group strong enough to force her to consider its wishes. Again and again the attempt to break up this group led Europe to the verge of war, and ultimately in 1914 brought about the war. It was the war and co-operation against German aggression which was the basis of the actual alliance that was then founded.

The third stage came with the end of the war. In the liquidation of the problems of the peace France and England were more than friends, more than allies; they were partners; they had joint responsibilities which forced them to act as one. The final decision on all matters concerning the peace lay with the Supreme Council of the Allied and Associated Powers, and this Council could not act unless France and England were in full and harmonious agreement. What Europe is suffering from is the strain placed on both countries by this forced co-operation, necessary though it is both in their own interest and in those of Europe itself. The effect of it is not unlike that of a marriage, which often threatens to destroy friendship. We have ceased to be free agents; the two countries are obliged to act as one although in truth on many points their objects and ambitions are very different, and in some cases opposed to one another.

This fundamental difficulty has been illustrated by the chronic crisis over Upper Silesia. The settlement of the Upper Silesian question is part of the Treaty of Versailles and therefore it cannot be dealt with except by the



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Principal Allied and Associated Powers acting together. This co-operation requires two things, first an agreement as to the interpretation of the Treaty and as to such action as is under the Treaty left to the discretion of the Allied Powers, and secondly, when this agreement has been reached, the fullest and most loyal co-operation in carrying it out. Separate action by any of the Allies must have most dangerous consequences and we may say even more than this, that where there is a difference of opinion between them, it is of the highest importance that it should be settled by confidential discussions and not unnecessarily proclaimed to the world. Nothing has done so much injury to the harmony of the Allies as the fact that whenever there has been, as there inevitably must from time to time be, a divergence of view, this seems to have been immediately disclosed to the Press and has become the subject of acrimonious articles. In other matters also there was grave reason to suspect that the spirit of loyalty had been wanting, especially as to Upper Silesia. English opinion has been very gravely disturbed by the rumours which have reached us as to the action of the French troops, the French representatives and the French Government during recent months. There were reports which if true indicated that the Polish rising which took place in the month of April was largely due to the scarcely veiled goodwill, some said actual co-operation, of the French. It was an attempt to force the hands of the local Commission and of the Supreme Council by violence and intimidation, an attempt similar to those of d'Annunzio in Fiume and of Zeligowski in Vilna. That such attempts should be made is inevitable in the still disturbed condition of Europe ; against them the only weapon is the loyal co-operation of the Allies with one another. It is this that we have the right to expect from each other, and without this, continued co-operation is impossible. But if this co-operation ceases, Europe must relapse into a state of anarchy. Whether for good or evil, the treaties of Paris are at the moment the law ; if in any

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respect they are badly devised, then they can be altered ; but revision is only possible by the unanimous agreement of the Allies. So long as they stand they must be enforced. But again, enforcement can only be by the joint action of the Principal Allied and Associated Powers. An admirable illustration was given during the grave crisis which supervened at the end of July. The French addressed an imperative demand to Berlin that the German Government should make preparations for dispatching additional French reinforcements to Upper Silesia. This demand was made, however, in the name of the French Government alone. The German Government quite correctly answered that under the Treaty there was no obligation on Germany to meet such requests unless they were officially made in the name of the Principal Allied and Associated Powers. By acting alone the French would themselves be virtually transgressing the Treaty on which the whole of their claims and position in Europe now depend.

As has so often happened during the last two years, a way was found out of the immediate crisis ; as soon as the French gave up their claim to independent action the British Government used all its resources to help to ease a false position. But after all, as has so often happened in the past, it was only the immediate difficulty which was surmounted ; the fundamental divergence of opinion still remains. At the time of writing we do not know whether the Supreme Council will find it possible to come to any agreement on the Upper Silesian question.\* All that we know is that the British, rightly seeing that once a plebiscite had been held, it was their absolute duty to carry out the verdict of the people in strict impartiality as between Germany and Poland, have contended that the industrial area shall be assigned to Germany. It is equally obvious that a strong party in France which always has in view not so much the verdict of the plebiscite as what they consider to be the permanent interests of France and

\* See the note which appears on page 860.



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Poland, were determined in some way or other to prevent Germany continuing to control the great resources of this district. Were the two Powers each to maintain such an attitude, no manœuvring, no arrangements—whether with Italy or with Belgium—would be of any use. The Supreme Council must give its decision; the decision must be a unanimous one, but that fundamental agreement on which alone a unanimous decision can be based, is wanting.

Now the difficulties which have arisen with regard to Upper Silesia are particularly instructive, for they arise not out of any accidental or local circumstances, but because there is at bottom a fundamental divergence of view in France and Great Britain which affects their whole attitude towards the new Poland. It may therefore be useful to give a brief recapitulation of the main points in what we may call the Polish question.

### II. POLAND

THERE is probably no country in Europe in regard to which English opinion was, in the years before the war, so ill-informed as Poland. Few English travellers visited the country, fewer knew the language. Poland was a name associated with the romantic conceptions of politics that held sway in the first half of the nineteenth century. The country was known only by the exiles and the musicians, and in matters of practical politics exiles are perhaps even a worse guide than musicians. That the partitions of Poland had been a great crime against which Pitt could only issue an unavailing protest, that the Poles were subjected to harsh disabilities in Prussia and to cruel oppression in Russia, served to produce a conviction that some time or another it was a crime that should be expiated. But the restoration of Poland was not then practical politics. It belonged to the realm of Utopias.

This was changed by the war. The partition of Poland had depended on the coalition of the three great Eastern

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Monarchies ; so long as they remained united, the liberal Western Powers could do nothing, as had been conclusively shown in 1863. But a war between Germany and Russia changed the whole situation. Whichever side was victorious it could be foreseen they would alter the settlement of 1815 and, using the Polish claims, make them a pretext for taking away territory from their defeated antagonist. In fact, however, the war ended in a manner more favourable to Poland than anyone had dared to dream ; though the Allies won, Russia was not one of the victors ; the three partitioning Powers were all of them overthrown. Every obstacle to the restoration of Poland was removed, and this was recognised both in the previous official war aims of the Allies and specifically embodied in the terms agreed on before the armistice.

As so often happens, however, in practical matters, it soon became apparent that the agreement on a formula, the restoration of Poland, was only the beginning of difficulty ; it solved nothing, it had to be interpreted, and the interpretation showed that there were fundamental differences in the point of view of the Allies, differences which still continue. What were to be the frontiers of the new State ? Few in this country had considered the matter, but it was not long before the problem took definite form.

Let us first take the Polish view. In this country it may be said that generally speaking Poland was grouped among the smaller and less important States which should not aspire to a leading part in European affairs. This was not the view of the Poles themselves. They remembered the days when Poland, at any rate in territory and population, was one of the larger Powers of Eastern Europe. The restored Poland which they had in their mind was one approximately identical with the old Poland. It is commonly said that Poland suffers from having no natural frontiers. No Pole would accept this opinion. To a Pole the natural frontiers of the country are on the south the Carpathians, on the north the Baltic, on the west the



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Oder; on the east indeed it is not possible to find a similar natural line, though in one part this is afforded by the Marshes of the Pripet. Now this Poland would be a Great Power. In population it would be nearly equal to that of France, in area superior to that of Germany. It would be a country a large portion of which is of very considerable agricultural fertility, and which includes in the southern provinces great mineral resources. The coal and iron fields on either side of the Silesian frontier, the salt mines and potash deposits of Galicia, and the oil beds would provide that industrial element without which in modern times no great State can maintain its position in the world. We are inclined to look on Poland merely as a barrier between Russia and Germany. The Poles would look upon themselves as a great nation which, by its history and position, is destined to form the nucleus from which Western civilisation may permeate the realms of what has been called *Halb-Asien*.

This view of the future of Poland was one which was held by practically all Poles, though perhaps most strongly by the representatives of the National Democratic Party. It was this view which was put forward at the beginning of the Peace Conference by the Polish representatives when they laid their claims before the Peace Conference and the Polish Committee. It was in virtue of this that they demanded on the west the whole and more than the whole of the ancient Kingdom of Poland, that they aspired even to the union in some form or another of Eastern Prussia with a restored Poland, that they demanded as their right the mining district of Upper Silesia, East Galicia, Lithuania, and wide territories in White Russia and the Ukraine. In these demands they had the cordial support and co-operation of the French; in many of them they could depend on the co-operation of the representatives of America, but again and again they found that claims which seemed to them self-evident were opposed by the British representatives, and this opposition was often successful. It is not un-

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natural, therefore, that there quickly grew up a belief that Great Britain, or at any rate the representatives of that country at the Peace Conference, were animated by feelings of hostility to Poland, and for the past two years this has been the commonplace of French and Polish newspaper criticism. Nothing has done so much to prevent the maintenance of cordial co-operation between France and England as disputes about Polish territory. The animus aroused in Poland is natural enough; they demanded Danzig, which seemed to them to be their right both because of their historical claims and the definite promise which had been given them that they should have secure access to the sea. It was the intervention of the Prime Minister, and that alone, which prevented the annexation of Danzig to Poland. Their claim to East Galicia seemed to them one which would admit of no discussion, but throughout the whole of the Peace Conference the British Delegation, and the British Delegation alone, refused to assign without conditions to Poland this territory on the ground that the majority of the population were alien and hostile. Upper Silesia, a land inhabited predominantly by Poles, according even to the German statistics, was actually assigned to them in the first draft of the Treaty of Peace; once more the intervention of the Prime Minister robbed them of their prey. And again, on their eastern frontiers, the relations of Lithuania and White Russia, it has always been the British who have interposed between them and the achievement of what appeared to be their legitimate hopes.

For these ambitions, these claims, the Poles throughout had the support of France. The reason for this is not a subject of dispute. French policy, though it may have used sentimental considerations as a support, was not guided by sentiment; what influenced them was on the contrary the desire to strengthen the position of France upon the Continent which involved the old idea of the balance of power. Always they were confronted by the



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spectre of a rejuvenated Germany, a Germany which, whatever happened, would be superior in area, in population, and eventually in wealth to France, a Germany which, as they believed, would inevitably try to obliterate in blood the losses and disgraces of the recent war. The whole concern of a strong party was how to guard against this danger. We know how they would do so on the West, by the prolonged occupation of the Rhine and if possible by the separation of the Rhine Province from the rest of Germany. But this was not sufficient. They required powerful States on whose help they could depend against Germany, and among these the most important was Poland ; in their minds the function of Poland was to be a vassal State of France, situated on the eastern frontiers of Germany, intervening between Germany and Russia, and this Poland, in order to fulfil the functions allotted to it, must be made as strong as possible. It was a conception in which it was the strength rather than the welfare of Poland which predominated. What they apparently cared for was not so much the prosperity of Poland as the adversity of Germany. A wise and far-seeing Polish statesman might well have believed that nothing would be so profitable to his country as a good understanding with Germany. This was the last thing which this party desired. What they wished for was a Poland which would be irrevocably condemned to German animosity and which must therefore always subordinate its policy to that of France, for it would be on French support that they would depend. For this reason then it was essential that the largest possible amount of German territory should be assigned to Poland, and in particular that Poland should have the great seaport of Danzig and the mineral wealth of Silesia. Especially would the loss of Silesia cripple German commerce and manufactures. To this party, Silesia appeared merely as a storehouse for the future army of Germany ; deprive her of the Saar Valley, deprive her if possible of the Ruhr, deprive her of Upper Silesia, and then in truth it appeared as if Germany would

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be permanently eliminated from the Great Powers of Europe.

Are we to be surprised that the British Government have consistently refused to countenance such a policy? If they did, it was not from any want of regard to Poland; not, as fantastic suggestions would make it appear, because of any personal animosity against Poland on the part of the Prime Minister. They were guided by quite other considerations. What they looked forward to was a peace which would be permanent and final, a peace which would so far as possible eliminate from the continent of Europe the struggle for territory which has been the cause of so many wars. The peace must be one the justice of which must be made apparent even to Germany itself. It was for this reason that they opposed the transference of territories in which there was not a clear Polish predominance; it was for this reason that they refused to subject Danzig, a city in which 95 per cent. of the population were German, to Polish sovereignty; it was for this reason that they refused to hand over Upper Silesia without an enquiry as to what the real sentiments of the population were. Always it must remain the predominant canon of our policy, not, if it could be avoided, to undertake responsibilities on the continent of Europe. We could not, indeed, altogether avoid responsibility for the new Poland which we were helping to create, but we could insist that in doing so we could not in any way associate ourselves with a territorial settlement which was so clearly contrary to general justice that it must be challenged at the first opportunity.

To suppose that there was enmity is absurd; to argue that this country was influenced by some subtle scheme of self-interest is groundless. All that happened is explained by quite other reasons. The Prime Minister acted as any other English statesman in the same position must have acted; he was guided by the simplest dictates of common sense. What good would it have been to Poland or to anyone else to give to this country extensive territories as to



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which the only thing that was quite certain was that the inhabitants themselves were bitterly opposed to the very idea of incorporation in Poland ? What prospect was there that Poland, if she secured these territories, would be able to govern them ? The task imposed upon the new Government was under any circumstances sufficiently difficult. The other new States, as for instance Czecho-Slovakia, were at least able to build up their institutions around the nucleus of an old-established local government. Kramarsch and Masaryk and the Yugo-Slav statesmen had all had parliamentary, and some of them administrative experience. Bohemia had enjoyed a very extended system of local autonomy. From all this the Poles, except the Austrian Poles, had been debarred. Under Russia no Pole could be employed in the Government of his native land. In addition to this, they had to weld together Russian, Austrian and Prussian Poland ; the inhabitants of each of these districts had during the years of their separation lived under different laws, both public and private, and acquired different customs and habits. The first task, and it is not even yet completed, was to break down the trade barriers which under the old regime had existed between them. In addition to this, there were the great complications which arose from the different monetary systems, intensified as they were by the problem of exchange. This surely was a sufficient task for a new and inexperienced Government. How foolish it would have been to have imposed upon it the additional function of ruling many millions of unwilling subjects. As it was, however the frontiers might be drawn, there would be a considerable admixture of alien population, German and Jewish. Would it help in the consolidation of the State if there were added to these, large districts the only ambition of which would always be to secede ?

It is not unnatural that Upper Silesia should bring into relief any opposition of policy. The difficulty there is not one artificially created, and no individual is responsible for

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it. It originated not from what President Wilson or Mr. Lloyd George said and did, but arises out of the local conditions. The broad and irrefutable fact stands out that in this very important mining and industrial area a very large proportion of the population are Polish in speech, Polish in origin, and it now appears, Polish in sentiment. We have before us the facts of the plebiscite ; even if we make all allowances for the energy and thoroughness of Polish propaganda, there still remains the fact that after eighteen months of discussion and consideration, in considerable districts a large majority of the population voted that they wished to be Polish, and in other districts a very large minority. This is one of the facts ; the other is that in what is called the industrial triangle the life of the different villages and towns is so closely connected that a division of the area between two States seems a physical impossibility. Any arrangement must therefore have the result that many hundreds of thousands of people are assigned to a Government different from that for which they have opted. The only result of the plebiscite has been to bring out into stronger relief than ever these difficulties. If the area is assigned to Poland, there is little doubt that there will be a very serious diminution in the efficiency with which the mines and factories are worked ; if it is assigned to Germany, it is to be apprehended that there will be a prolonged period of agitation, disorder and sabotage among the Polish labourers. Under these circumstances, whatever the decision of the Supreme Council may be, the one essential thing is that the Allies shall honestly co-operate with one another in using every effort to enforce the decision when made. Some injustice will be done to individuals and to districts. This cannot be avoided ; in these mixed districts of Eastern Europe no frontiers can be drawn which will command the assent of all parties, but just for this reason there must be no doubt nor hesitation in the enforcement of the decision when it has once been made. As we go to Press it looks as if the prospects of a



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settlement of the Silesian question are small. Yet if this, the last of the great difficulties which have kept ourselves and the French apart, could be disposed of, we might hope for better days for the Entente, on the maintenance of which so much depends.\*

### III. THE SITUATION IN GERMANY

ALL German problems are now dominated, more perhaps than ever before, by that of Germany's relations to the Allied Powers. What is the prospect of a period of stability in the country's domestic politics, of a combination of groups or parties which will keep any one Government in power for more than a few months? Is it likely that Germany will meet her reparation obligations in the next few years? Can we rely on that early and complete revival of German industry which reparation presupposes? Will disarmament be permanent, the final renunciation of the worship of Moloch, or only the outward sign of temporary weakness? A German would say that the answer to all these questions rests primarily with the Allies, and it is difficult for any reasonable observer not to assent to that opinion. The last three months have seen a steady drift towards the point at which the final determination of the Allied attitude towards Germany becomes fundamental. As long as Germany could be said to be evading or to be in default in the execution of the terms of the Treaty, it was possible to allege some kind of justification for almost any policy. Not that one policy was as good as another: some were wise and others were not, and the latter were freely criticised, in *THE ROUND TABLE* as elsewhere. But even the unwise policies were intelligible and in a sense not unnatural. Change the premisses, however; grant that Germany comes loyally to observe the Treaty, and it is obvious at once that the

\* Since this article went to press it has been agreed that the Silesian question should be referred to the League of Nations.

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Allies must also observe it, in the spirit and the letter, or all prospect that it will become a treaty of Peace must vanish.

Since the Government of Dr. Wirth took office early in May to accept the Allied ultimatum, Germany has admittedly met her obligations. The first of these was to carry through disarmament, and broadly this task is now complete. Even Bavaria consented to disarm the irregular defence organisations. No one pretends that there are nowhere in Germany arms or ammunition concealed: but at least it can be said that the Central and the State Governments in Germany have ceased to connive at the retention of arms by individuals or by members of volunteer corps and have taken such steps as are in the power of a Government to compel surrender. More than this it would be unreasonable to expect. A policy which encourages the German people to live in peace with one another and with their neighbours is the surest guarantee that arms still withheld from the authorities will be left unused in the dark places where they are hidden.

The second obligation, the payment of reparations, cannot be discharged in a day. Whether it is economically possible for the obligation ever to be discharged in full must remain in doubt for many years: that the Allies recognised in the terms of their ultimatum. But the payments immediately due have been made, and the German Government has arranged to meet the liabilities which will accrue at the end of August in respect of the first 50 million pounds sterling. The Government has, moreover, set to work with energy and courage on the recasting of its system of taxation. It is faced here with problems of extraordinary intricacy, and the factors which will determine the yield both of the old and the new taxes are still often incalculable. What is important for the moment is that a serious endeavour is being made to balance revenue and expenditure and that in this task the Government has had the support and assistance of the leading financial and business concerns. Some progress, too, can



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be recorded in regard to reparation payments in kind. Herr Rathenau, the new Minister for Reconstruction, met M. Loucheur, the French Minister for the Devastated Areas, and discussed the practicability of German assistance in the actual work of restoration, and the negotiations then begun have been continued at numerous meetings between French and German specialists. In a recent report on the subject to the German Economic Council, Herr Rathenau expressed confidence that workable arrangements could be arrived at, though he did not conceal the difficulties still to be overcome. It is proposed to set up a joint commission to fix the prices of materials supplied by Germany and another joint organisation to distribute them on delivery. The two worst obstacles to an early agreement are the difficulty in the first place of finding materials which French manufacturers cannot at least claim to be able to supply, and secondly of devising any voluntary system of allocating orders amongst German suppliers. But the prospect of being able to meet a substantial part of its reparation payments, not only to France but to the other Allied powers, by deliveries in kind instead of in gold is so alluring to Germany that no difficulties of organisation on the German side are likely to stand for long in the way of a workable arrangement.

There remains the undertaking to proceed with the trials of war criminals. Since the present German Government took office, a number of offenders indicted by the British, French and Belgian Governments have been brought to trial at Leipzig before a special court set up for the purpose. English lawyers who were present at the trials in which the charge rested on the evidence of British witnesses have been unanimous in their testimony to the impartiality of the court and its ability to arrive, through legal forms essentially different from our own, at what was on the evidence a fair verdict. Some of the accused have been acquitted, others convicted and sentenced; the sentences, even if we take into account the fact that

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several of the accused were subordinates acting under the orders of a superior who had fled from justice, have not always appeared adequate to the offence according to English law and practice, though it is not clear that by ordinary German standards they would be judged lenient. In the few French and Belgian cases brought forward the result has been less satisfactory to the prosecution, because the accused were acquitted on the ground of insufficient evidence; offended by the verdict, no less than by the frankly terroristic doctrines of some of the German military witnesses and the noisy manifestations of sympathy by sightseers, the French Government has ordered its legal commission to leave Leipzig. Whether, apart from the punishment visited on brutality in a few individuals, the trials have done more harm than good is a matter of opinion. But there are at any rate two comments which should be made. The experiment was one on which the Allies insisted, and the German Government has met their demands. The other comment is that, whether the ultimate effect of the trials is bad or good, trial before the only other practicable court, one constituted by the Allies, would be infinitely worse. The world may learn passion and prejudice, but never the meaning of justice, from the spectacle of the prosecutor as judge in his own cause.

We have glanced briefly at the progress made in the last three months by Dr. Wirth's Government in three matters which the Allies themselves selected as tests of German good faith. It would be a grave error to conclude from this summary presentation that what has been done is an easy triumph of a Cabinet of supermen or that Germany has now finally entered on a broad road leading to stable democratic government and industrial prosperity. Germany is still full of extremists, fanatics both of the Right and of the Left. The conservative wing lives in the glories of the former monarchy, believes only in the sword, and would defy the Allies, because submission means sacrifice of wealth and of privileges, and privation.



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At the other pole the Communists lament an abortive revolution, and see in the slow and painful task of reconstruction only a new weapon to bind tighter the fetters of the proletariat. Between these extremes the Government is sustained by the co-operation of all moderate men. That co-operation is no mere union of heterogeneous parliamentary groups : it rests on the determination of a majority of the German people to win back prosperity and influence in the only way still open to them, by work and sacrifice. The sentiment is an odd mixture of idealism and of the sense of reality, but it is difficult to travel in Germany and to observe the lives of ordinary men and women without being conscious of its existence. Unless this spirit is fostered by the Allies, so far as that is in their power, it may wane, and there is nothing to take its place except militarism from the Right or revolution from the Left. There is much more at stake than the survival of Dr. Wirth and his Government ; like all politicians, they are creatures of a day, and may be destroyed by the breath of some petty domestic controversy. The real hazard is the future of the German nation and with it of Europe.

With all the encouragement that can be given them from outside the new moderates in Germany will have immense difficulties to contend with in the next decade. The remarkable achievement in the last two years of the management of German industry in recasting its organisation to meet the new conditions created by the war and the Peace Treaty may blind the observer to the rocks ahead. Deprived of their merchant fleet, the great shipping companies laid down vessels to replace it, and by buying a liner here and chartering a tramp there improvised temporary services on the familiar routes. The iron and steel industry found 70 per cent. of its former supply of iron ore alienated ; new sources were acquired and the industry given another orientation, concentrating for its export trade on highly finished steel products rather than on pig iron. In the new era economy of fuel and general

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efficiency of production were essential : so the diminished yield of coal has been supplemented by the development of the lignite fields, and the generation and distribution of electrical power is being extended and perfected. All this and much more has been accomplished, yet it is only a beginning. The one great problem of public finance still overshadows German economic life. Can the revenue required to balance the budget be raised from taxation without crippling industry ? No one yet knows. Is there a means of stabilising the mark ? Without stable values trade becomes a speculation. A manufacturer cannot know when he takes a contract what his imported raw material will cost him, or what he will actually receive when his products are delivered. At present reparation payments abroad are depreciating the mark, and it is the general belief in Germany that this tendency will continue. If so, there must be a steady rise in the cost of living and more persistent demands for higher wages to meet it. The vicious circle from which we have for the time being escaped will then close on German industry. But even if the depreciation in the mark is arrested, it seems unlikely that the workers of Germany will be able to maintain efficient production on the standard of living allowed by their present wages. The gradual equalisation of the internal and external values of the mark, at present widely disparate, may be a necessary step if the efficiency of industry is not to be impaired. Every economic problem takes on a different appearance when viewed from different national angles. We in England live in dread of the unequal competition which the low exchange value of the mark makes possible ; yet in Germany to-day perhaps the most controversial question in economics is how *Valuta-dumping*, or this very form of competition, which ends in the German manufacturer receiving less for his goods than the world price, can be stopped. Behind the other anxieties of German industry there is this, that the accumulated post-war demand of the home market shows signs of exhaus-



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tion, the signs with which we began to be familiar in England a year ago. Can that process be stayed, or is Germany faced with a period of depression in trade such as we have suffered from? With Communism and anarchy in the air, there would be peculiar dangers in any great growth of unemployment.

Here, then, are some of the problems of German political and economic life. If we assume, as all responsible opinion in England assumes, that the rehabilitation of Germany is in the interests of the whole world, they concern a far wider circle than that which has hitherto been preoccupied with them. Many of these problems must be solved, if at all, by the unaided efforts of the German people. The responsibility of the Allies lies in this, that it depends largely on their general policy and on their settlement of particular questions with what degree of energy and determination those efforts are made. Upper Silesia is dealt with elsewhere in this issue, and it is unnecessary to refer to it here at any length. Its fate is important for two reasons. As the second industrial area of Germany, its retention would facilitate and its loss immensely handicap the re-creation of German industrial prosperity, and therefore the fulfilment by Germany of her undertakings in respect of reparations. Moreover the transfer of a very valuable industrial unit from the State which has built it up to another which has neither the knowledge nor the experience to develop it properly would in the present impoverished condition of the world be a retrograde step. But apart from this there is a German sentiment woven round Upper Silesia as strong as or possibly stronger than that of the Poles, and it is such sentiments which, as Dr. Wirth said recently, create Alsace-Lorraines.

Upper Silesia is not the only open wound. The sanctions enforced in March—the occupation of the edge of the Ruhr area on the right bank of the Rhine and the customs frontier between occupied and unoccupied Germany—still stand. In the last number of *THE ROUND TABLE* the

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legitimacy of those measures even as penalties to secure compliance with certain demands was questioned. Whatever their validity for that purpose, there can be no justification for their retention after the demands have been met. The occupation of the towns is economically a nuisance and the customs frontier is as irrational and as much a bar to trade as a similar line would be drawn through the middle of the West Riding. The world is crying out for the removal of every possible restriction on the free and unrestricted development of its natural and industrial resources. But the continuance of these sanctions is a political even more than an economic blunder. For it suggests to every German mind that the Treaty is a dead letter and that acceptance and loyal observance of it by Germany is of no more avail than open defiance. Both Upper Silesia and the sanctions are only illustrations of a larger question, the general attitude of the Allies towards Germany. The divergent standpoints of Great Britain and France are as notorious as they seem to be irreconcilable. It is possible to carry out the Treaty, which implies the maintenance of a united Germany and the revival of its industrial life, or to pursue that other policy to which French opinion appears more and more to have inclined. But the two cannot be combined. The survival of a moderate majority in Germany, willing to work and reconstruct and make reparation, to live in peace with its neighbours and with the world, is contingent on the firm adherence of the Allies to the principles of the Treaty. The other policy might temporarily attain its aims, but it would be at the cost of driving the German nation into one of the two extreme camps, either to prepare a war of revenge or to recast society. The result in either event could only be the ruin of European civilisation.



## INDIA

*The last two contributions from India have dealt with particular aspects of the political situation. In the following pages an attempt will be made to summarise for the benefit of readers in other parts of the Empire the Indian situation as a whole, as it has developed during the first half of the year 1921.*

### I. DEVELOPMENT OF THE NON-CO-OPERATION MOVEMENT

**D**URING the whole of this period the dominant factor has been the non-co-operation movement. It will be remembered that during the last three months of the year 1920 Mr. Gandhi announced his intention of heading an All-India movement independent of caste and creed, with the threefold object of securing the redress of the Punjab wrong, of satisfying Muslim feeling, which had been wounded by the Treaty of Sèvres, and of obtaining Swaraj or self-government within a year. These things were to be achieved by a process of non-violent non-co-operation, which was to include the withdrawal of Mr. Gandhi's supporters from every phase of public activity. It was to commence with the resignation of titles, decorations and public offices ; it was to proceed through the boycott of the reformed Councils, the suspension of practice by lawyers, and the withdrawal of boys from Government schools, and was to culminate in the severance of all connection between the people of India and the administrative machinery of

## The Non-Co-operation Movement

Government. As will have been clear to your readers from the article which appeared in the March number, the non-co-operation movement received a severe setback from its failure to hamper the operation of the new legislatures. The elections were duly held, and with the exception of the fact that certain prominent Nationalist leaders did not figure as candidates, both the central and the local councils remained unaffected by non-co-operation. At first the strength of this movement lay in the educated classes, but by the end of the first three months of the year 1921 it became apparent that so far as these classes were concerned it was doomed to failure. Accordingly Mr. Gandhi now directed his appeal to the masses of the population. He redoubled his propaganda, and toured extensively from one end of India to the other. And just in proportion as his hold upon the *intelligentsia* waned, so did his influence over the masses, who understand little of his movement save that it is directed by a "Mahatma," proportionately increase. Stories of his miraculous powers have been readily believed and widely disseminated ; while thousands have been taught to look forward to the coming of his kingdom, when the economic stress under which they now labour will give way to peace, plenty and prosperity. Broadly speaking, we may say that during the first half of the year 1921 there has been an ominous and a growing disrespect for constituted authority on the part of the Indian masses. This has manifested itself from time to time in ugly riots, such as those occurring at Malegaon, Dhanbad and at Aligarh. In each case the trouble has arisen through popular excitement at the prosecution of persons who, in their zeal for the non-co-operation movement, have infringed the law. In each case, also, the police have borne the brunt of mob fury, and the disturbance has quickly subsided with the appearance on the scene of regular troops.

If we attempt to penetrate below the surface of events and to discover the innermost strength of the non-co-operation movement, we shall be forced to admit that its



hold upon the people of India arises very largely from the vagueness of its appeal. It holds up a national ideal sufficiently nebulous to leave much to the imagination, sufficiently Utopian to arouse enthusiasm. Both Mr. Gandhi and his lieutenants have been wise enough to refrain from defining precisely what their ends may be. The two grievances which form the main planks in their platform, the Khilafat and the Punjab, are, since the proposed treaty revision and the March debate in the Assembly, little more than convenient pegs upon which the garment of rhetoric may be hung. The demand for Swaraj, which may mean anything or nothing, is sufficiently vague to attract every Indian with political aspirations, as well as to excite in the masses anticipations of a golden age when prices shall have fallen and taxation shall cease. The non-co-operation movement in fact provides a rallying-point for all those who for one reason or another possess grievances against the Administration. And herein lies its danger. It cannot be met by the carrying out of definite reforms. It is dangerous because it is intangible.

## II. POLICY OF GOVERNMENT

THE policy which Government has throughout adopted was clearly explained to the Legislative Assembly in March by Sir William Vincent. On the negative side, it consists in prosecuting, where such a course is unavoidable, those guilty of disorder or incitement to disorder ; but on the positive side, in the deliberate determination to redress grievances and to meet demands. Thanks to the steady pursuit of this twofold policy under the wise guidance of Lord Reading, there has been little serious disorder, while at the same time, in the opinion of many competent judges, the credit of the non-co-operation movement is declining and the unity of its promoters is giving way. The valuable national work performed by the new Councils, both central

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and provincial, and the reality of the large powers they exercise, has provided a crushing answer to the non-co-operators. The appointment of Committees with effective Indian majorities to examine the Press Acts, the so-called Repressive Legislation, and the fiscal question, is tangible evidence of the "new spirit" now abroad. The active steps taken to constitute an Indian Territorial Force; the examination, by a committee largely Indian, of the future military requirements of India, represent additional justification for the policy of co-operation for which the Moderate Party have stood so stoutly.

### III. MANIFESTATIONS OF NON-CO-OPERATION IN THE PUNJAB

IN view of what has been said as to the intangible nature of the non-co-operation movement, it necessarily follows that this movement has taken different forms in different parts of India. One of the most ominous of these forms was manifested in the Punjab during the first four months of 1921. In that province disputes have for some time been materialising between two sections of the Sikhs. The "new" or reforming party of the Sikhs has been dissatisfied with the management of the heavily endowed *gurdwaras* or shrines, and has demanded their seizure from the present custodians and the administration of their revenues for the use of the community at large. The "new Sikhs" encountered considerable opposition on the part of the "old Sikhs," who maintained that, while there are certain obvious abuses which should be corrected in the management of some of the shrines, the accusations of the new party are grossly exaggerated, and are inspired by political ends. Operating in this atmosphere, the non-co-operation movement proved a potent source of popular excitement. The "new Sikhs" announced at various times that they would not adopt prescribed legal processes for



securing investigation into the maladministration of the shrines, but would take the law into their own hands. The custodians of certain shrines having been ejected by "peaceful pressure," their colleagues became alarmed and prepared to defend themselves. Several outbreaks of violence took place in consequence, of which the most serious occurred at the great shrine of Nankana Sahib, whose abbot practically annihilated the band of "new Sikhs" who designed to eject him. Government intervention thereupon became necessary. The expressed determination of the State to enable the "new Sikhs" to free the shrines from the worst abuses helped to satisfy such genuine religious feeling as lay at the bottom of the dispute. In addition to this, the traditional solidarity of the Sikhs against outsiders produced resentment at the attempts of the non-co-operators to exploit Sikh party grievances for their own ends. As a result an anxious situation gradually passed away, and the hopes of the non-co-operators were disappointed.

### IV. HINDU-MUSLIM UNITY

**I**N other parts of Northern India the non-co-operation movement has principally taken the form of a somewhat aggressive assertion of Hindu-Muslim unity. In the United Provinces and in Bihar, where the Muslims, although in a minority, are strong and aggressive, the Khilafat side of the non-co-operation movement has come most to the fore. Indeed, it has been somewhat over-emphasised; with the natural result that a Hindu reaction against Mussalman sentiment has lately become manifest. This has largely resulted from the outspokenness of certain representatives of the Pan-Islamic Party. For example, Mr. Mohammad Ali, in the course of a speech at Madras, announced that if the Amir of Afghanistan were to invade India for the liberation of the country from infidels it

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would be the duty of all Muslims to help him. Now point was lent to this remark by the fact that, to the disquiet of many persons, a treaty with the Amir of Afghanistan has not yet resulted from the presence of the British Mission in Kabul. Thanks to the greater frankness with which Government now informs the people in general of the facts of the Central Asian situation, there exists in Northern India a very fair appreciation of the troubles which may conceivably arise from the persistence of unsettled conditions on the North-West Frontier. Mr. Mohammad Ali's declaration was therefore received with a storm of criticism by the whole Moderate press, as well as by an important section of the non-co-operating papers which were Hindu in sentiment, as a result of which the traditional divisions between the Hindu and Muslim communities have begun once more to make themselves apparent. These divisions are well marked in Northern India, which has still a lively folk-memory both of invasions from the North-West and of Muslim domination. The growing feeling between the two communities has gained strength by a recrudescence of the ever-recurrent question of cow killing. It is asserted on the Hindu side that in virtue of the understanding which now exists between the two communities, the Muslims ought to refrain from the sacrifice of cows. The Muslims, on the other hand, resent the suggestion that they should be called upon to surrender a custom which they believe to be connected intimately with religion. Accordingly the Hindu and the Muslim vernacular press have been engaged in controversies which not even the best efforts of those who desire to maintain an unbroken front *vis-à-vis* Government have been able to conceal.

There is, however, a graver menace to Hindu-Muslim unity than the foregoing. It consists in the fact that the Hindu section of the non-co-operators are inherently far more averse from the thought of violence than are their Muslim colleagues.

The excitement inseparable from the vigorous campaign



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of propaganda has been responsible for the somewhat imperfect observance of the direction to preach non-violence, which has been repeatedly claimed by Mr. Gandhi as the essence of his movement. Principally on the part of those to whom the non-co-operation movement makes its appeal from the Khilafat side, speeches have been delivered which, even if unexceptionable in the eyes of the law, are in fact but thinly disguised assertions of the duty of religious war. In view of the conciliatory policy of Government it was plainly desirable that any such development should be checked without recourse to repression. Lord Reading has not been slow to gauge the political temper of the time, and his action was both wise and dexterous. In May, as a result of the good offices of Pandit Madan Mohan Malaviya, a series of interviews was arranged between the Viceroy and Mr. Gandhi. What passed in the course of these interviews has not so far been made public ; but a few days after Mr. Gandhi had left Simla the Ali Brothers published an apology in the following terms :—

Friends have drawn our attention to certain speeches of ours which, in their opinion, have a tendency to incite to violence. We desire to state that we never intended to incite to violence, and we never imagined that any passages in our speeches were capable of bearing the interpretation put upon them. But we recognise the force of our friends' argument and interpretation. We therefore sincerely feel sorry and express our regret for the unnecessary heat of some of the passages in these speeches, and we give our public assurance and promise to all who may require it that so long as we are associated with the movement of non-co-operation we shall not, directly or indirectly, advocate violence at present, or in the future, nor create an atmosphere of preparedness for violence. Indeed, we hold it contrary to the spirit of non-violent non-co-operation, to which we have pledged our word.

The effect of this, which was very considerable, was emphasised a few days later by Lord Reading in a speech delivered at the Chelmsford Club :—

I informed Mr. Malaviya that if Mr. Gandhi applied to me for an interview I would readily grant it, and I should be glad to hear

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his views. The consequence was that in due course Mr. Gandhi did apply, and there was not only one interview, but several interviews between us. There was no finesse or manœuvre about it. It seemed to be a plain and straightforward arrangement for an interview.

Here again I think I am not quite free to tell you all that you might desire to know. Yet I will say that I am quite certain that the result of these interviews produced at least this satisfactory result, that I got to know Mr. Gandhi and he got to know me.

This may be somewhat vague and indefinite, yet it is not entirely so. As you may be aware, the result of these visits and discussions was that Mr. Mohammad Ali and Mr. Shaukat Ali have issued a public pronouncement, which doubtless you have seen to-day, expressing their sincere regret for certain speeches that they had made inciting to violence, and have given a solemn public undertaking that they will not repeat these speeches or similar speeches so long as they remain associated with Mr. Gandhi. I do not want to discuss this matter at any length. I merely refer to it as showing that the interviews were not entirely fruitless, because so far as Government is concerned we achieved our immediate object, which was to prevent incitement to violence. I have had occasion once before to say that it almost always reacts with fatal effect upon those who are most innocent.

As a Government we have a duty to perform. We have to protect those who may be thus led away, and we therefore had determined to take steps in order to vindicate the law, to maintain its authority, and to prevent the recurrence of any further violence. Fortunately it has not been necessary to have recourse to the ordinary law of the land, for the reason that we have now got the undertaking to which I have referred. I certainly shall assume that it is intended to keep that undertaking and that the expressions of regret are as sincere as those expressions seem to denote; and so long as that undertaking is observed we need not fear that such speeches will recur; and, provided the undertaking is observed, they, too, may be sure that there will be no prosecution for them.

The effect of the apology, combined with this explanation of the circumstances leading up to it, has been to strike a severe blow at the reputation of the Ali Brothers. They have attempted to deny that the apology was offered to Government, and they have even succeeded in obtaining the half-hearted support of Mr. Gandhi to their position. But the fact remains that their credit with the more fanatical members of their own community has been severely



shaken, and the non-co-operation movement on the Khilafat side has suffered a diplomatic defeat. The policy of suspending a prosecution after obtaining a public apology has been employed in numerous other cases, also with good effect.

All these factors are contributing to the real, if subterranean, divergences which are making their appearance between the Hindus and the Muslim sections of the non-co-operators. The alarm which, as we saw, has been excited among orthodox Hindus by the course of affairs in Central Asia has been aggravated by the realisation that they have been compelled to take the Khilafat side of the non-co-operation movement very largely upon trust. Particularly in Maharashtra, whose Brahmin *intelligentsia* has for long supplied the fighting strength of Indian Nationalism, the Khilafat aspect of the movement has lately fallen under suspicion. The solid nucleus of Indian Nationalist feeling which is the strength of the non-co-operation is at a loss to understand the interest which India as a whole has for the Kemalists in Angora. Added to which, the keener intelligence of the Hindu Nationalist leaders is under no delusions as to the upshot of any appeal to force. This being the case, they have from the first thrown the weight of their influence against the more extreme manifestations of Khilafat sentiment, and have consistently flung cold water upon the Pan-Islamic spirit which inspires such declarations as those of Mr. Mohammad Ali, to which reference has been made previously. As a result of this growing divergence it has taxed all the personal ascendancy of Mr. Gandhi to maintain even the outward appearance of unity in the ranks of the non-co-operators. Added to which, as his movement has proceeded, certain of its manifestations have struck hard blows at the interest of particular sections of his followers. Among the most interesting of these manifestations may be counted the recent disturbances connected with labour in Assam tea gardens.

## Weakening of Solidarity

### V. WEAKENING OF SOLIDARITY

THE conditions under which the coolies of the Assam gardens work is still to a large extent a matter of controversy pending enquiry. That they have some economic grievances is frequently asserted; but it should be remembered on the one hand, that they would not migrate to Assam unless working conditions were better than in their birthplace; and on the other, that their simplicity and ignorance make them ready targets for appeals to fanaticism and religious sentiment. Some of the less responsible of Mr. Gandhi's emissaries have lately been occupied in a campaign among the labourers, who readily believe that Mr. Gandhi is an Incarnation of the Divine. The smouldering discontent which took its origin in hard times burst into flame. As a result in the month of June there was a wholesale migration of some thousands of labourers from the Assam gardens. This movement is in many ways comparable to the exodus of simple-minded Mohammadans which took place last year from the North-West Frontier Province into Afghanistan. Leaving all their little property, these coolies, with their wives and families, moved away with the object of regaining their native villages, where, so it was promised them, Mahatma Gandhi would make all arrangements for their comfort and prosperity. The local authorities were taken largely by surprise, and there was some delay before it was decided to repatriate these destitute and resourceless folk. Meanwhile an unfortunate incident had occurred at Chandpur, where the station had been cleared of coolies at night by military police. At once various allegations of atrocities and of ill-treatment began to make their appearance in the extremist press, and a deliberate attempt was made to rouse public excitement by representing the Chandpur incident as a second Jallianwala Bagh. In passing, it may



be noticed that this attempt is an interesting proof that the Punjab tragedy, despite desperate efforts to keep it alive, has ceased to be a living issue. It was settled by the debate in the Assembly, described in the last number of **THE ROUND TABLE**. That there was little foundation for this new excitement may be gauged from the fact that the Bengal Council, with its large non-official majority, declined to order an investigation into the circumstances. The coolies by degrees were sent back to their villages, partly as a result of official assistance, and partly as a result of the intervention of certain Moderate leaders in Bengal. But no sooner did they arrive at their native place than they found themselves out of touch with their fellow-villagers; in many cases, indeed, they were out-casted. The failure of the movement not merely led to recriminations between various non-co-operating leaders, but also helped to excite the alarm of the capitalist element among the non-co-operators, which does not approve of political intervention in labour matters. In addition, the labour troubles in the coalfields of Bihar and Bengal and in the mills of Madras and Bombay, which are popularly ascribed to the effect of non-co-operation preachings, have considerably strengthened the hands of the Moderate Party. Indeed, the stout resistance which the Moderate press as well as the Moderate leaders have offered to the progress of the non-co-operation movement has been among the most notable developments of the last six months.

It is impossible to recount a history of the non-co-operation movement without experiencing a feeling of admiration for the adroitness with which Mr. Gandhi has conducted his campaign. From the casual point of view this eminent leader resembles a clever juggler who is occupied in keeping a number of brightly coloured balls in the air at the same moment. Whenever the attention of his audience seems about to waver, he deftly introduces a new ball of even more fascinating appearance. At the same time, thanks to his agility, he is able quietly to dispense with those balls

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which for one reason or another have lost their attraction. For example, the resignation of titles and decorations, the abandonment of their practice by lawyers, and the boycott of schools and colleges, have all been suffered quietly to fall to the ground, while Mr. Gandhi has concentrated the attention of his audience upon his dexterous management of the boycott of liquor shops, the boycott of imported cloth, and the collection of a crore (Rs. 10,000,000 = £666,000) of rupees for his national fund. This last achievement was a real triumph. Contrary to the expectation of most people, Mr. Gandhi was able to announce at the end of the prescribed period that he had collected money in excess of the crore he needed. How much of this in cash and how much in promises may well be doubted; but when all allowances are made for the difficulties of converting promises into cash, the collection remains a notable political success. In passing, a tribute may be paid to Mr. Gandhi's cleverness in naming his collection the "Tilak Swaraj Fund." The association of the name of the lately deceased Mahratta politician has sufficed to secure the tacit acquiescence of Maharashtra. The fact, vouched for by Mr. Tilak's most eminent disciple, that on his deathbed the Mahratta leader condemned the non-co-operation movement as foolish and unstatesmanlike has been conveniently ignored.

At the present moment Mr. Gandhi is still concentrating his efforts upon the boycott of foreign cloth. Here he has run across certain vested interests. The mill-owners of India are doubtful as to the expediency of the movement from their point of view, because Mr. Gandhi is insistent that India's cloth must be hand woven. The piece-goods merchants, whose warehouses are stocked with millions of pounds' worth of the goods India needs to supplement her own scanty cloth production, are in despair. Whether Mr. Gandhi will succeed to any extent in this, his most spectacular enterprise, may well be doubted. At the present moment India is compelled to import more than one-third



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of her vast requirements in the way of cloth ; and it would seem that the only effect of Mr. Gandhi's boycott campaign would be to increase the profits of middlemen and to raise the price of cloth to the poorer classes.

With all the breathless activity of the non-co-operating party, the fact remains that the progress which has been achieved is rather apparent than real. The date at which Mr. Gandhi expects to realise his ideal of Swaraj is continually being postponed. Accordingly the more impatient spirits are beginning to doubt the expediency of non-violence and are even coquetting with the idea of proclaiming an Indian republic. This has been largely due to the strained relations which have lately arisen between His Majesty's Government and the Turkish Nationalist Government at Angora, as well as to the dragging on of negotiations with Afghanistan. The Khilafat party of India, and more particularly its Pan-Islamic section, has been roused to fury by the mere suspicion that hostilities may materialise between England and an Islamic power. It is devoutly to be hoped that such will not be the case. The fanaticism of the Mohammadan community of India is not difficult to arouse, and when once aroused it is capable of producing serious disorder up and down the country. Already there have been appeals to Mohammadan soldiers in the Army inviting them to refrain from fighting against the Turkish Nationalists should hostilities develop. At the moment of writing, much depends upon what takes place in the Congress meeting which is advertised for July 28. Its venue has been changed from Lucknow to Bombay, probably because Mr. Gandhi, in the heat of his cloth boycott campaign, is unwilling to leave the principal battle-ground while the issue remains doubtful.

But while the situation in India still remains somewhat anxious, the passage of time and the wisdom of Lord Reading already begin to exert their healing influence. The monsoon, after some disappointments, promises to

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turn out a satisfactory one ; and if this should happen the present political tension among the masses will inevitably subside. The cordial reception which has greeted the announcement of the Prince of Wales' visit shows that the tide is not far from the turn. Mr. Gandhi has, it is true, decreed a boycott ; but his fiat has been ill received, and at the moment of writing the probability is that it will be ill observed.

India. July, 1921.



## UNITED KINGDOM

### I. CURRENT POLITICS

#### *Finance and the Business Committee*

A PART from Ireland and industrial trouble, which are both dealt with elsewhere in this number, the chief interest of our domestic politics in the last three months has been in finance, the Ypres salient of the Ministerial position. The Budget, once more introduced by Mr. Chamberlain (the new Chancellor of the Exchequer being occupied with the coal dispute), was commonplace enough in everything but its gross totals, and except at one point gave no trouble in its passage. The exception was the Government's proposal to apply in a modified form the corporation tax to co-operative societies, and there was some excitement in the newspapers when the Government, defeated on this proposal, went on as though nothing had happened. Nothing particular indeed had happened, for the revenue from this particular tax would have been trifling, and the acceptance of the decision of the House may be a useful precedent making for greater freedom of Parliamentary action in the future. There can be no real Parliamentary control of new taxation if every hostile vote on a point of detail however unimportant is to be followed inevitably by resignation. But the real trouble in finance lies in the magnitude of our estimates not in the choice—usually Hobson's—of the means of meeting them. It is one of the defects of Parliamentary procedure that the discussion on the Finance Bill in which no changes of

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importance can be made should be elaborate to tautology and the discussion of the Estimates which govern finance so casual and as a rule so summary.

Many people have looked to the development of a House of Commons Estimates Committee as the cure for this evil, and last year Mr. Chamberlain promised something of the sort. A Committee has in fact been set up, but you cannot cut very far into Estimates without reaching questions of policy, and the exclusion of these from the Committee's competence has greatly diminished the hopes that were formed of it. On the other hand at the beginning of August an extra-Parliamentary Committee of business men was announced under the chairmanship of Sir Eric Geddes to advise the Chancellor of the Exchequer with regard to reduction of expenditure. Questions of policy are not excluded from its survey and Parliament has already shown a good deal of jealousy towards it. The genesis of this "Business Committee" is somewhat curious. It was recognised at the end of last year that the reduction of departmental estimates was beyond the power of a single Minister, however strong, and a Cabinet Committee on which the present Chancellor served was set up to do the work. It had apparently only limited success, and on May 13 the Treasury issued a circular to the Departments pointing out that the recovery of our trade and commerce depended on a reduction of taxation, that, as things were, the prospect was that taxation would have to be increased, and that to avoid an increase that would be vehemently opposed in the Commons and in the country, expenditure on the supply services would have to be reduced to £490 million, a reduction of 20 per cent. on this year's £603 million. The circular recognised that so great a reduction could not be made without changes in policy, and went on as follows :—

His Majesty's Government desire that in making proposals for reductions the Departments shall not consider themselves prevented from proposing the reduction or cessation of a service because its



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performance has hitherto been a part of the policy of the Government, or because the service is necessitated by statute. It is recognised that a reduction of expenditure on the requisite scale may only be obtained by the sacrifice of services in themselves desirable, and His Majesty's Government will review any questions of policy that may be raised by suggested reductions, and, if they approve, will obtain any Parliamentary sanction that may be required to carry them out.

Most of the Departments have by now sent in replies to this circular and they are apparently of a character that made the Chancellor of the Exchequer despair of doing them justice. The new Business Committee is formed to examine them and to make recommendations to the Government. It may well be that the work entrusted to this Committee ought rather to have been entrusted to a Committee of the Commons, but the argument that its appointment is an infringement of the rights of the Commons is difficult to follow. It is in accordance with precedent to appoint an outside Committee of experts to advise the Government (though of course not to dictate its policy), and of the two alternatives, namely, an outside Committee and a Commons Committee, that which has been rejected is probably more revolutionary in character. It does not follow that it is therefore wrong or would not be more efficient, but the contention that an outside Committee is a breach of constitutional practice is certainly difficult to sustain. The breach of practice, whether right or wrong, would consist of the admission of Parliament into a share of executive responsibility in the framing of estimates. An increasing number of people are however coming to believe that such a breach is desirable. In the meantime, until the new Business Committee has proved or disproved its capacity, it is useful to note as a fact that the suggestion for its formation, so far from being imposed on the Chancellor of the Exchequer against his will, was first made by him.

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### *By-elections and the Signs of Restlessness*

The Government in its obvious anxiety about the state of national finance is only reflecting the mind of the country. Two important by-elections went against the Coalition in June, and both went on finance. On the 7th St. George's Hanover Square, a seat which at the last election went to Mr. Walter Long by a majority of more than ten to one, was lost to an Anti-Waste candidate by the comfortable margin of nearly 1,900 votes ; and nine days later the Coalition candidate was very handsomely defeated in East Herts by Admiral Sueter, another Independent Anti-Waste candidate. Between these two elections the Government lost Mr. Illingworth's seat at Heywood (Lancashire) to Labour by a narrow majority, the Independent Liberal (one of the ablest solicitors in the North) polling about 40 per cent. of the votes cast for the Coalitionist. Labour can hardly be said to be Anti-Waste, but the conclusion generally drawn from the June elections is that while the middle classes and rentiers of the Home Counties are in full revolt against high taxation, in the industrial North the same cause has the effect of transferring the prestige of the Coalition to Labour. These results were noted by the Government and confirmed its diagnosis of excessive expenditure and high taxation as the chief political trouble.

In the previous month a remarkable appeal signed by twenty-six leading bankers, who disclaimed any concern with party or political considerations, had insisted that British trade needed nothing so much for its recovery as to be left alone. This appeal was directed against all expedients to control and hamper imports, whether by licences, tariffs, or any other means. "We cannot limit imports into this country without limiting our export trade, and striking a grave blow at the world-wide commerce on which this island-kingdom principally depends."



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This appeal, which would undoubtedly be endorsed in Lancashire and other places dependent on the export trade, has not prevented the Government from pressing its Safeguarding of Industries Bill to a second reading and through the Committee stage. The Bill was modified in Committee, but it has undoubtedly caused great distress among Liberals of all shades in the North, not only, or even so much, because it violates Free Trade principles (on that score Sir Alfred Mond made a very notable defence of its provisions on the second reading), as because it prolongs State interference with trade. The tide of reaction against such interference is undoubtedly at its full, and is part of the general reaction against State Socialism that is already affecting the policy even of the Labour party, and against anything that strengthens the bureaucracy. The rumours falsified by the event, that the Safeguarding of Industries Bill was to have been dropped, were, it is said, set on foot by Coalition Liberals.

On the other hand, evidence of unrest in the country over taxation had a marked effect on the Government's policy. In June it announced its intention of repealing Part I of the Agriculture Act passed last year. Its ground was that the guarantee of minimum prices for wheat and oats was more than the country could afford, and with this guarantee went also the provision for a minimum wage. In addition, the Government, after increasing the unemployment benefit in March to 20 shillings for men and 16 shillings for women, was compelled in June to reduce the benefit by five shillings in the one case and four shillings in the other, the ground being that with so much unemployment in the country the funds were insufficient and the country could not afford to make good the loss. Even this was not all. The bonus recently awarded to civil servants was withdrawn in the case of the higher-paid men and reduced to correspond with the fall in the cost of living in the case of the lower grades. Still more important, the State housing scheme was cut down and

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the subsidies to help building withdrawn. This last economy led to a vigorous debate over the salary of Dr. Addison, the ex-Minister of Health, who had been responsible for these schemes. Dr. Addison had been superseded in the Ministry by Sir Alfred Mond and given a position as Minister without Portfolio, to which many members objected as an extravagance. Mr. Lloyd George defended Dr. Addison's work during the war and at the Ministry of Health, but did it somewhat perfunctorily and then announced that he would cease to be Minister without Portfolio at the end of the session. Dr. Addison did not wait till then but resigned on July 14 and attacked the new housing policy of the Government. His departure from the Cabinet has not apparently had any injurious effects upon its position nor is there any evidence to confirm his complaint that the real ground of objection to him was that he was a Liberal, or the prophecy very generally heard at this time amongst discontented Liberals that Mr. Fisher would be the next to go.

### *Tendency to Revive Party System*

None the less there has been a marked revival of interest in party, and a new disposition on the part of the House of Commons to assert its independence, especially in regard to finance. One example—the Government defeat on the Finance Bill—has already been noted. Another was the action of the House on June 1 in rejecting the grant of free railway tickets for its members between London, their constituencies, and their homes. It also rejected a proposal to relieve its members of the income tax on their salaries as such, though they apparently accepted the suggestion that they should, in their return, treat the amount as expenses, and so escape the tax. This last suggestion was reasonable in itself, but the handling of the matter was unfortunate. Many railway vouchers had been issued to members, as it



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turned out, quite illegally. In consequence of this and other instances in which the Government had anticipated the consent of the House, 170 members (mostly Conservative) pledged themselves to oppose all expenditure incurred without the previous consent of the House. An even more notable declaration of independence was made by some 40 Unionist members of Parliament who propose at the next general election "to reserve to themselves complete independence of any of the political parties on matters concerning economy and finance in the House of Commons." Mr. Godfrey Locker Lampson and Sir Arthur Steel-Maitland were among the signatories to this declaration. The general impression conveyed by the Commons' handling of the problem of economy is that of willingness to strike, coupled with a desire not to wound the Government.

But there have, during the last three months, been other signs of restlessness in the Unionist wing of the Coalition. The remarkable speech of Lord Derby in April, when he asked whether they had taken Mr. Lloyd George into the party or he had taken them in, was followed by other instances, of which the most vigorous was a letter by Lord Salisbury which appeared in the papers in the middle of June. After condemning the Government for vacillation and failure abroad and in Ireland, Lord Salisbury went on to suggest that every Unionist association should approach its member and ask him to consider himself relieved from his obligation to support the Coalition Government. No association seems, however, to have taken his advice; and, apart from Lord Robert Cecil, the only members to change their allegiance of late are discontented Coalition Liberals, like Sir Godfrey Collins and Sir William Barton, and one or two Unionists who differ from the Irish policy of the Government. The great weakness of discontented Conservatives is that they have none of them apparently—and least of all the Anti-Wasters—any constructive policy to unite them. On the other hand, Unionist discontent lent some piquancy to the movement

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for reunion amongst Coalition and Independent Liberals which was conducted at a series of luncheons started by Mr. John Wallace and Mr. Newbould. It soon became evident that the leader desired by part at all events of both sections was Mr. Lloyd George. The *Manchester Guardian* of June 24 made practical Free Trade and Ireland the test questions of a Liberal reunion, and expressed the view that the time was approaching when Liberals would have to make up their minds whether they would be fused with the Tory party or retain their faith. But the conversion of the Government and of Unionists, with so few exceptions, to the policy of negotiation for a settlement on broad Liberal lines with Sinn Fein is likely to have had its effect upon any disposition on the part of Coalition Liberals to withdraw their allegiance. As for the Unionists, Mr. Chamberlain's reply to Lord Salisbury's letter is significant: "It may be," he said, "that we shall find ourselves once more separated by that solid piece of furniture which protects us from any but wordy assaults in the House of Commons. But before I quarrel with the Prime Minister I must know what I am to quarrel about." Nothing is more certain than that the Irish negotiations and the prospect of the disarmament Conference at Washington have greatly strengthened the position of the Coalition. In June people were speculating on the prospects of a general election in October or at latest next February—an election apparently that was to be brought about by the sheer inability of the Coalition to keep itself together. Now the same people are asking whether Mr. Lloyd George, if he can settle Ireland, will not go to the country on that issue.

### *A Passage of Arms*

Before concluding this survey of the position of the Coalition, reference should perhaps be made to a passage of arms which would have been of little importance but for the fact that the credit of those Ministers who would



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naturally represent, and who ought, if circumstances permit, to represent our people at the approaching Conference at Washington, was assailed, for in international matters harm is easily done. The King's name, moreover, became involved in a later phase.

The passage began by *The Times* immediately after the acceptance of President Harding's invitation, expressing the opinion that for the reason "of avoiding suspicion the attendance of Mr. Lloyd George or Lord Curzon at Washington seems particularly undesirable." It spoke of "the pompous and pretentious manner" and the "business incapacity" of the Foreign Secretary, and "his obsequious docility to the Prime Minister's behests." Of Mr. Lloyd George himself it stated that "it is notorious that no Government and no statesman who has had dealings with him puts the smallest confidence in him." The Government retaliated by withholding from Lord Northcliffe's newspapers the unofficial information that the Foreign Office is in the habit of giving to representatives of the Press. Lord Northcliffe himself, a couple of days after *The Times'* article appeared, started on a tour of the world on which he was accompanied as far as British Columbia by Mr. Wickham-Steed, the Editor of *The Times*. In New York, as might be expected, there were interviews, and on Monday, July 25, an account of one on the Irish question, said to have been given by Lord Northcliffe to the *New York Times* and purporting to reveal conversations between Mr. Lloyd George and the King, was published in certain editions of the *Daily Mail* on this side of the Atlantic. There was also a reference to General Smuts. It is unnecessary to set out the account of the alleged interview. The suggestion conveyed by it was that His Majesty was out of sympathy with the Irish policy of his Ministers before the present negotiations commenced, and that he went intending to make his own speech in Ireland, where he spoke as head of the British Empire and not as King of England or Ireland.

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The following Friday the statements given in the account of the interview were repudiated by the Prime Minister and General Smuts and also by King George. Lord Northcliffe thereupon cabled to Lord Stamfordham denying that he had made any such statement. It appeared that the interview, indeed, had not been with himself but with Mr. Wickham-Steed, who on his side denied the direct statements attributed to him. The meeting he described as an informal one. The matter ended in a cloud of newspaper comment on both sides of the Atlantic, in which we can safely leave it.

This is not the only occasion on which the King's name has recently been dragged into public controversy. On July 19 a question was asked in the House whether there was any foundation for the statement made in the Press that the King had intervened directly to straighten out an entanglement in the negotiations with the United States regarding the Pacific Conference. The Prime Minister replied that it was a pure invention. On July 25 again the Lord Chancellor corrected in the Press a story that had appeared in the first edition of Colonel Repington's book, which left the impression that His Majesty had intervened to prevent the arrest of the Ulster leaders in 1914. Needless to say none of these false rumours had the slightest effect upon the relations of perfect confidence which exist between His Majesty and his people.

### II. THE COAL STRIKE AND ITS RESULTS

**"E**VERY economic and political factor is dead against us." So said the Executive Committee of the Miners' Federation of Great Britain in recommending the rank and file to accept a settlement of one of the most disastrous disputes in all the history of Trade Unionism. The stoppage of work in the mines, the origin and development of which were described in the June issue of *THE*



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ROUND TABLE, began at midnight on March 31. It ended on July 4 at the majority of pits ; in some cases, owing to the damage caused by the flooding of the pits, work has not been resumed to this day. The cost of the dispute to the nation was immeasurable, but some indication of the direct burden which it imposed on the taxpayer is contained in the following figures given by the Chancellor of the Exchequer to the House of Commons on July 5 :—

Cost of Defence Force, Army Reserve, etc. . .	£7,000,000
Navy . . . . .	1,225,000
Air Force . . . . .	330,000
Civil Emergency Organisation . . . . .	300,000
Subsidy to the Coal Industry . . . . .	10,000,000
Increased subsidy to the railways . . . . .	10,000,000

The indirect loss to the nation through the dislocation of other industries brought about by the strike is not easy to assess ; fortunately, perhaps, from this point of view the dispute coincided with a unique and almost universal depression in trade, which of itself had caused works to close down or go on short time before the miners went out. At no stage in the dispute was the economic activity of the country wholly paralysed. Industries which had work to do were kept going, more or less completely ; railway and steamship services continued, though on a reduced scale ; the social life of the people, their recreations and their sports, were scarcely interrupted. That is the first remarkable fact in the history of the dispute. The second, not less remarkable in its way, is that, except for the flooding of the mines by the cessation of pumping operations—an evil which did not last long and the effects of which were widely exaggerated—and for certain sporadic acts of violence in the early days of the stoppage, the greatest and most prolonged dispute in the history of the mining industry was conducted in a manner so peaceful and orderly as to compel a tribute to the self-restraint of the miners even from those who detest their aims and methods. Once

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again organised Labour and the general population displayed that imperturbability which so often characterised their attitude during the acute industrial disturbances of the later years of the war and the period immediately after the armistice. When it is remembered that the dispute spelt idleness and wagelessness to millions, hardship to many more, and inconvenience to half the nation, it will be realised that there could be no evidence more conclusive of the sobriety of British Trade Unionism nor any demonstration more striking of that British habit of self-control or *sang froid* which so constantly puzzles the continental observer.

In our last issue the story of the dispute was carried up to the point at which the miners, deserted as they would say by their comrades of the Triple Alliance and of trade unions generally, were carrying on the struggle doggedly but with little hope of success. They resented bitterly the "betrayal" of their cause by the railwaymen and the transport workers on the famous "black Friday" (April 15) on which these groups cancelled their threatened sympathetic strike. "It is impossible," they declared formally, "for the Miners' Executive to accept a settlement except on the terms of the concession of the National Wages Board and Pool." That was the opinion of their Delegate Conference on April 22. Some abortive negotiations with the Government were followed by a month of inaction, during which the Government completed their plans for coping with any untoward developments of the situation, while the funds of the miners' associations and federations were steadily drained. The miners were not entirely without resources. Their children were fed by local education authorities and their wives maintained by Poor Law relief. They mortgaged their offices. They obtained credit from co-operative societies. Other unions contributed varying sums towards the relief of acute distress. In spite of this, however, it is beyond doubt that conditions of great hardship prevailed in many miners' homes.



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Negotiations were reopened on May 27, when the miners and mineowners met the Prime Minister at the Board of Trade by the Prime Minister's invitation. He wished, he said, "to ascertain whether, in the time which had intervened since the last negotiations, they had acquired a real sense of what the situation was and were prepared to face the facts." The Prime Minister sometimes expresses himself rather bluntly. From the point of view of the miners, the words just quoted meant this: "Now, have you had enough of it?" And the truth is that the miners were really beginning to realise that they had "had enough." The struggle had continued so long, and the general public had remained so unmoved, that they were gradually losing heart. They did not yield at once. They rejected the new proposals made to them. But on June 4 the Prime Minister produced an ultimatum. He told the miners, virtually, that unless they came to terms with the owners and the Government soon, the subsidy of £10,000,000 which the Government had offered would not be available. The miners made a final show of defiance. By a majority of 435,614 to 180,724 they rejected the terms then offered by the owners and the Government and decided to continue the stoppage. The Government proceeded to force matters to an issue. On June 18 they informed the miners that their offer of a subsidy of £10,000,000 would expire on the following night. This was the turning point of the dispute. There were signs in some districts of a disposition on the part of the men to relinquish the struggle and return to work. The fissure widened. The solidarity of the Miners' Federation seemed to be seriously imperilled. Ostensibly the State subsidy ceased. But on June 27 the miners and mineowners found it possible to reach a settlement on the assumption that the grant from the Exchequer would be forthcoming, and, after some further haggling, the Government agreed to continue the subsidy. On the following day the Executive of the Miners' Federation issued to the rank and file a recommendation to

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accept the Government's and owners' terms. They admitted that "the National Wages Board with the national profits pool could not be secured by a continuation of the struggle," and they added the confession which heads this note: "Every economic and political factor is dead against us." In other words, they admitted defeat. A ballot of the members showed 832,864 votes for acceptance of the Government's offer and 105,862 against. On July 1 the House of Commons voted the subsidy. The same evening the agreement was signed and on Monday, July 4, work was generally resumed in the pits.

To form an estimate of the gains or losses of the respective parties under the terms of settlement is no easy task. The terms are extremely complicated and technical; so much so, that there were many people who doubted whether they were ever intended to be understood either by the public or by the miners themselves. They provided for the constitution of a National Board (consisting of representatives of the employers and the workmen) and of District Boards. They provided also for something very much akin to profit-sharing. They did not provide for a national profits pool or a national wage. On this fundamental point, the fulcrum on which the entire trouble moved, the settlement was emphatic. The miners accepted it. Though it is, perhaps, unkind to say so, the rank and file of the miners were conscious by this time that any further prolongation of the stoppage would only add unnecessarily to the burden which they themselves, as well as other people, were carrying. Their common sense prevailed. They swallowed their mortification and endorsed the action of their committee.

So ended the coal dispute, an event of the first importance in the recent history of Trade Unionism. It left the miners' associations bankrupt; it impoverished trade unions in almost all industries. It appreciably weakened Labour as an industrial force. Internal disagreement as



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to policy split the workers into separate groups, and the whole progress of the trade union movement suffered a set-back of the gravest kind. As with the *Confédération Générale du Travail* in France after the collapse of the railway strike there, so in the present case the leaders of industrially organised Labour had to face reproaches, criticism, even venomous attacks, from men of their own class and mode of thought. Over and over again it had been said that the attempt to reduce the wages of the miners was only the prelude to a general effort to cut wages throughout industry. Undoubtedly the course taken by the miners' strike facilitated the arrangement of reductions in other industries. It is impossible here to enumerate all the trades in which wages have been reduced since the coal dispute began, but a few of them must be mentioned. The shipbuilding trades have accepted a reduction of 6s. a week. The engineering unions have agreed to a similar reduction and to the discussion of a further cut of about 8s. in the light of the trade position in September. The printers have accepted a substantial reduction, so have the road transport workers and the co-operative employees, the brewery workers, the brass founders, sawmillers, builders, wire workers, and a host of others. The Agricultural Wages Board has recommended a lower scale for workers on the land. In the cotton industry, after a strike of three weeks, the unions accepted reductions of over 20 per cent. on current wages. In the woollen industry wages, under a cost of living sliding scale, have fallen 30 per cent. since December. Workers in the iron and steel trades have in the last six months seen their wages reduced by from 65 per cent. to 102 per cent. in terms of their standing agreement, by which wages vary with the selling price of pig iron or of manufactured iron and steel.

There are two other classes of workers with whom agreements of the first importance have recently been made. One is the railwaymen. Their wages have steadily

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fallen under the cost of living sliding scale, which was agreed to after the strike of 1919. Apart from this the railway companies and the unions have signed an agreement for the future regulation of working conditions and wages : in effect the Whitley Council system is adopted. Thus all risk of serious trouble on the decontrol of the railways at the end of August is obviated. It is not without significance that the railwaymen were offered representation on the Boards of the companies, and refused it on the ground that they had no wish to be parties to decisions which the rank and file of the unions might resent.

The other case is that of the dockers. It will be remembered that a year ago, as the result of an inquiry by the Industrial Court over which Lord Shaw presided, a national minimum wage of 16s. a day was established for dock and riverside workers. In view of the shrinkage of trade and the growth of unemployment, this decision has been reconsidered by the parties directly concerned, and by agreement between them the 16s. minimum is being reduced to 13s. The fact is worth special notice. The Shaw inquiry attracted a great deal of public attention. Mr. Bevin, spokesman of the dockers, received the popular title of "the Dockers' K.C.," and many columns in the newspapers were devoted to his speeches. In fact, the Shaw inquiry into the "dockers' 16s." was almost as sensational as the Sankey inquiry into the miners' programme. Yet the reversal of the Shaw decision has hardly attracted any public attention.

What is the significance of all this ? Here are the miners, after a prolonged and exhausting struggle, accepting terms which are virtually those of surrender ; terms, at any rate, which do not include that national pooling system which almost up to the last moment the miners proclaimed to be indispensable. And here we have trade union after trade union quietly submitting to the lopping off of war-time advances in wages. Two years ago it seemed incredible that any trade union should ever consent, without a



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vigorous protest and probably a strike, to any reduction in wages ; yet to-day, by consent, reductions are being made in almost every industry. The phenomenon is noteworthy. The explanation of it is not difficult. To some extent, trade union leaders and members have begun to appreciate the economic conditions of the industries in which they work and to recognise that a high labour-cost could not be maintained indefinitely without disaster in the face of external competition. All experience shows that, given clear proof of the necessity of any step, even if it appears to involve some sacrifice on their part, most British workmen are prepared to take that step with the best grace they can command. But there is another factor which makes for acquiescence in wage reductions. It is the financial weakness of the trade unions. A period of progressive trade depression, accentuated by the stoppage of the coal mines, has depleted their funds ; there is hardly a trade union in the country which is in a position to finance a strike. This is no new experience. Periods of depression and extensive unemployment are always periods of comparative freedom from industrial strife. Such times are unfavourable to strikes ; therefore strikes are infrequent.

These are the two main factors—consciousness of economic facts and lack of financial munitions—in the production of the present industrial peace. Labour, so far as its industrial organisations are concerned, is too weak or too wise to fight ; therefore it accepts with little more than a mild protest things against which, in other circumstances, it would have fought furiously. In passing, it may be worth notice that this conscious weakness of Labour in the industrial field has its complement in a conscious accession of strength in the political sphere. Just as the dashing of political aspirations at a general election is usually followed by an outburst of “direct” or industrial action, so the inability to prevail by industrial methods generally gives an impetus to Labour’s political activities. It is no secret that the Labour Party is steadily

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building up a solid political organisation, alike at headquarters, by districts, and locally. At the next general election, whenever it may come, Labour will have anything up to 500 candidates in the field. And Labour will have this advantage, that it has rid itself fairly thoroughly of the extreme Communist wing, which derived its inspiration from Moscow, and has thereby strengthened its appeal to the "workers by brain" who constitute the bulk of the middle-class voters. When the general election comes, Labour may be disappointed. In that case, we may look for a big crop of industrial troubles. But there is at any rate a chance that Labour may double or treble, or even quadruple its present representation in Parliament, and in that case we may anticipate a reasonable freedom from strikes. All this, however, is in the dangerous region of prophecy or speculation. What is beyond doubt is that the industrial debility of the unions has had its counterpart in an increased political virility of the Labour party, and that, in the one direction if not in the other, the Labour movement will continue to assert itself.

### III. THE INDUSTRIAL OUTLOOK

COMPARATIVE industrial peace, from whatever reasoning on the part of Labour we may have attained to it, must be an important factor in determining the time of a revival in the trade of the country. But it is very far from being the only relevant consideration. Can Europe, can the world, count on a return to peace, not in the sense merely of a formal declaration that a state of war is ended, but to that attitude of mind in which Governments and their citizens pursue the arts of peace with single-minded devotion and are content to till the ground, to develop their natural resources, and to live in amity with their neighbours? Can public finance be brought back into the only safe waters, where revenue and expenditure



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balance, and taxation still leaves enough of the national income to meet the indispensable requirements of industry for new capital? What is the real significance of the competition which our industries will have to meet in the markets of the world, and how far can that competition be countered by anything which it is in our power to do? These are questions which, no less than that of the relations between employers and workers, have a vital bearing on the future of British industry. The sudden lifting of the cloud which since the war had wrapped the labour position in ever-deepening gloom has tended, perhaps, to encourage the belief that again all was well with industry; wages had dropped, the unions were quiet, so trade was bound to revive, and to revive rapidly on a grand scale. Nothing could be more unfortunate than that such a belief should become widely prevalent. We are suffering now from the fierce reaction which follows a boom, from the consequences implicit in groundless, irrational optimism. The position calls only for sober examination of the facts, for hard work, for the spirit of unity, for mingled prudence and courage.

It may be objected that some of the considerations emphasised above—the need for peace and for sound public finance—are in their nature purely political and should find no place in a discussion of an economic subject such as the prospects of industrial prosperity. If there is one thing, however, that the war and its sequel should have taught us it is that politics and economics are inseparable. No settlement of the great political problems of the world can be enduring unless it gives full weight to economic factors. We know now that war on the modern scale not only inhibits trade while it lasts but cripples it long after fighting ceases; that the world is enmeshed in an elaborate and delicate mechanism of commerce, in which every part reacts to a disturbance as the organs of the body react in sympathy with one another; that industry and trade are not the tiresome creation of a

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material age but the very lifeblood of civilisation. Politicians can no more afford to neglect the essential needs of industry than the manufacturer or the merchant or the industrial worker can afford to be indifferent to politics. At the risk of triteness it is well to restate these truths. This is not the place to discuss in detail movements in the international political situation or the progress made in this country or elsewhere towards the restoration of sound principles of public finance. That is done in other articles in *THE ROUND TABLE*. What is necessary, however, is to point out again the influence of these things on our industrial prospects and that it is not in the sole power of employers and workpeople here to give us back prosperity. There are fortunately signs that the lesson of the economic interdependence of the nations is being learnt, if only under the menace of bankruptcy; but when a disease has penetrated the organism, it is difficult to find any rapid cure, and in so far as British industry is dependent on the cure becoming universal, an early return to normal healthy conditions can scarcely be expected.

If we turn to examine other features of the industrial situation, there is much that is reassuring. It is true that there is as yet little sign of any substantial revival of demand. The recent promise of a brighter day in the textile industry has already been overclouded. The iron and steel industries must remain stagnant until there is a substantial fall in the price of coal and coke, and with the mines only just reopened and working to meet accumulated needs, coal is not likely to be much cheaper before the autumn. Even when the blast furnaces and the rolling mills can be restarted, the iron and steel industry must expect to face fierce competition, with the world's productive capacity probably in excess of the demand. Ship-building is in even worse case; there are ships still building but no new orders, and with the world's shipping tonnage already ten million tons in excess of that of 1914, with active and far cheaper building in German yards, and with



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the present low volume of ocean-borne trade, shipbuilding in Great Britain probably has lean years ahead. The engineering industry must obviously be hampered both by the general depression, since it is the handmaid of other industries, and by the shortage of capital for new development. It is not, then, from the immediate prospects of any of the great industries that much comfort is to be derived. We must look rather to such changes as depend directly on those engaged in industry themselves. In the earlier part of this article there is an indication of the almost universal and substantial reduction in labour costs which employers have been able to negotiate with the Unions. This process has gone side by side with an attack on overhead charges. Overgrown staffs have been reduced, wasteful expenditure of all kinds curtailed. Retrenchment inevitably involves hardship to individuals, but there are times when it is the only alternative to bankruptcy. More important in some respects than either of these forms of economy is the return to that form of "normalcy" which may be broadly described as prudent management of industry. It is not the least of the evils of a great war that it blinds employers and Labour alike to the conditions on which industrial prosperity depends. Hard facts are obscured by a haze of over-confidence. In this spirit businesses are expanded simply for the sake of expansion: industries are developed without regard to the demand for their products. The results are disastrous not merely to those concerns which are intrinsically unsound but to the whole standing of industrial enterprise as a field for investment. Capital in the long run seeks security first and afterwards, if it can get it, a high rate of remuneration; and when the value of almost every industrial investment is seen to depreciate by half in a few months, capital naturally buries itself in the banks. After a destructive war, when the capital available for investment is in any case greatly reduced, this tendency must cripple even the sound industries. The fires through which we have passed in

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the last few months have separated much of the dross, and, if the word may be used, have purified the whole range of industry. This drastic treatment, by substituting prudence for speculation, reasoned confidence for blind faith, will in the end be seen to have done a valuable service. Neither the evil nor the reaction from it was in any way confined to Great Britain ; they may be traced in every corner of the world, in communities primarily agricultural as in others mainly industrial. It is a measure of the strong constitution of British industry that, though the disease was hardly anywhere more virulent, recovery has nowhere been more rapid or more complete.

A close examination of the real nature of foreign competition shows, perhaps, less reason for despair than might appear at first sight. America has hardly reaped the full benefit of the opportunities offered to her in foreign markets by the war. Inexperience in export trade and the lack of any long tradition of American settlement abroad perhaps account for a tendency to overlook the pride or the independence of the foreign buyer and to hold him in a formal grip rather than by the loose ties of habit. There is, too, a home market which is a world in itself and in normal times occupies an almost undivided attention. The depreciation of all other currencies relatively to the dollar is a serious temporary obstacle. The real danger of American competition lies in the ability of its great corporations to offer their products abroad at prices fixed practically without regard to the manufacturing cost, if owing to slackness at home or to the strategic importance of a particular contract they think it desirable to do so. Of our European competitors Germany, and in a less degree Belgium, are clearly formidable. Elsewhere in this issue is a brief account of some of the financial and industrial problems with which Germany has to contend. They are numerous and difficult ; and although at the present time the disparity between the internal and external values of the mark gives Germany, on paper, an overwhelming advantage in price in



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foreign markets, it hardly seems possible for that advantage to be maintained. Anyone who has seen comparative figures of German and British prices in different foreign markets will have been struck by two things: first, the difficulty of reconciling many of the German quotations with one another; and, secondly, the fact that the German price often failed to show the advantage which on paper might have been expected. The truth is that the Germans have been working in unnatural conditions through the instability of their exchange, and unless they can build on a firm value of the mark, they must continue operations on a basis which is in the long run inconsistent with sound business policy. We may still find that, just as the real strength of Belgian competition is not so much in the exchange as in the exceptionally high output per man-hour, that of Germany lies in the brilliance of her industrial technique, in the boldness and organising power of those who control her industries and in their faith in research and improved methods. There is a danger in the spirit of economy which has swept over this country, salutary though it is, that it may lead to the restriction of expenditure on work which is essential to progress. Every year the advantage, which British industries have had for so long, of greater experience, of prestige and good will is diminishing, and in inverse ratio the handicap of every obsolete method or defect in organisation increases. In the enthusiasm of the Armistice far-reaching changes were planned and universally accepted as capable of immediate realisation. However superficially elaborated, these schemes were sound in principle; and there is something ominous in the growing tendency to dismiss as a grandiose extravagance such projects as that for the systematic reorganisation of the electric power supply. We may yet come to realise that for the safeguarding of our industries we need not so much an accumulation of tariffs and of committees to adjust them as the exercise of a scientific imagination and

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the co-operation of different industries and interests for the attainment of national efficiency.

The idea of co-operation leads back naturally to the relations of employers and Labour. If the present industrial peace meant simply that the unions can not afford industrial war, it would scarcely be of long duration. There is fortunately some evidence that other forces are at work. It is a fact of importance that practically without exception the recent disputes, full-fledged or embryonic, about wages reductions have been settled in direct negotiation between the employers and the unions. There has been a healthy desire to avoid at all costs what both parties regarded as the amateurish interference of the Ministry of Labour or any other Government department. This marks a return to a sound tradition. Government control of industries, Governmental settlement of disputes only serve to strengthen the fallacy which some extremists on the Labour side have propounded that there is no common ground on which employers and Labour can meet. It is not too much to say that the future of industry here depends mainly on the degree of their success in enlarging this common ground. Co-operation is daily more active in individual works, through Works Committees or discussion between the management and representatives of a particular shop. The general statements which employers have recently had to make as to the state of trade in their national and district conferences with Labour would have been deprived of much of their force if they had not been supplemented in the individual works by detailed evidence drawn from the experience of those works. In the end it rests primarily with employers how far the method of frank discussion of difficulties is carried, and at the present time employers have a great opportunity. They need, and the country needs, above all stability in industry and a period of peace in which the damaging reputation acquired abroad by Great Britain as the home of incessant Labour disputes can be lived down.



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Labour has had to accept wage cuts which involve a lower standard of living. If employers will avoid the delusion that on that account Labour is at their mercy and will practise frankness and moderation, they may create that habit of co-operation which industry is so much in want of, and turn an armed truce into a peace.

## CANADA

### I. SIGNIFICANCE OF THE BY-ELECTIONS

**BY-ELECTIONS** continue to go against the Meighen Government. It would be foolish to deny the significance of recent contests in Quebec and Alberta. In Yamaska, in the French Province, where members of the Cabinet believed there was a prospect of success for the Ministerial candidate, his Liberal opponent was elected by a plurality of 1,500. In Medicine Hat, in the Province of Alberta, where the contest was between a Government candidate and a candidate representing the United Farmers, the agrarian had a majority of 8,000. Moreover, Col. Spencer, who stood for the Government, had served with distinction overseas, had sat in the Legislature and had personal popularity and the best private and public reputation. His opponent was a Scotsman, forty-two years old, bold and vigorous, with complete faith in the cause which he espoused, and a great confidence in the ineptitude and futility of the Government. In the rural polls his vote was three to one against that of the Government candidate. In Medicine Hat itself, which has 4,000 voters, and where it was believed Col. Spencer would have a majority of at least 1,000 the Farmer led by 226.

No doubt there were special reasons for this unexpected result in an industrial community. Medicine Hat is a railway centre and the railway workers were excited by the immediate prospect of a reduction of wages. It is true that this reduction is general all over the continent,



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sanctioned by the United States Labour Board and accepted by the international unions, but the moment was none the less favourable for successful appeal to the workers. Besides, among the speakers for the agrarian candidate were the Rev. William Ivens and the Rev. J. S. Woodworth who were active leaders in the One Big Union during the strike in Winnipeg two years ago. It is hard to believe that there is any natural alliance between Western farmers and Labour under such revolutionary leadership, but apparently the great body of the railway employees cast their ballots against the Government. The fact is the more remarkable when it is stated that Mr. H. W. Wood, leader of the United Farmers of Alberta, opposes any alliance between organised Labour and organised farmers. At the Convention which nominated the agrarian candidate, Mr. Wood said: "Labour and the farmers cannot organise together and it is no fault of either group that they cannot. I am talking as sincerely to Labour as to the farmers when I say, 'Don't dissipate your strength in order to win a few votes.' I am just as anxious as anyone that we should carry the election, but I had a thousand times rather we should not do so than that we should win at the expense of our organisation. We are not ashamed of what we have done; we have put all our cards on the table, and if members of the organised Labour movement believe that our policy will serve their interests it is their duty to support it."

Mr. Wood is a blunt and uncompromising advocate of group and class organisation for political action, but in this is opposed by Mr. Crerar, national leader of the farmers, and Mr. Drury, leader of the farmer-labour coalition in Ontario. So he is opposed by *The Winnipeg Free Press*, the most influential of Western newspapers, which while giving its full support to the agrarian party denounces class government and describes Mr. Wood's position as grotesque. But even against Crerar and *The Free Press*, Wood holds the allegiance of the farmers of Alberta. For

## Significance of the By-Elections

example, in Saskatchewan the Liberal Government has come through a general election with a substantial majority chiefly because the Grain Growers gave a general support to Liberal candidates, while in Alberta, where Mr. Wood directs the agrarian forces, a Liberal Government has been decisively defeated, and the farmers will control the Legislature and have a clear majority over all other groups and parties. Probably as in Ontario, Labour, which elected four members, will support the agrarian Government even though Mr. Wood opposes any coalition between Labour and the farmers. In the last Legislature there were 37 Liberal and 19 Conservative members. In the new there are fourteen Liberals and not one Conservative. All candidates who do not profess allegiance to the Grain Growers represent Labour or claim to be Independents.

In the Provincial general election of Alberta, as in the Federal by-election in Medicine Hat, the agrarian platform was not very definite, nor were the farmers' denunciations of the "evils of partyism" very definite or always coherent. A Conservative worker in Medicine Hat declared: "This is not a political machine we are up against; it is an epidemic." Nothing is more precarious than political prophecy, but at least it may be suggested that the outlook for the Meighen Government in the three Prairie Provinces is not encouraging. Nor is the Liberal prospect much better. At the moment it looks as though the United Farmers would carry very many of the rural seats in Manitoba, Saskatchewan and Alberta, and do well in Ontario. The Government, however, should take majorities out of Ontario and British Columbia and make a decent showing against farmers and Liberals in the three Atlantic Provinces. On the Atlantic, however, probably as many Liberal as Conservative candidates will be elected while neither Conservatives nor Farmers have yet made any impression upon the great Liberal stronghold of Quebec. In the Yamaska by-election the United Farmers put up a candidate but he polled only a few hundred votes,



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while in York in the Province of New Brunswick, a farmer candidate was defeated by 1,000 majority. The bulk of this majority, however, was provided by the City of Fredericton. In the rural sections of this constituency the farmer ran ahead of his opponent. There is, however, no convincing evidence that the agrarian movement will develop such strength in Quebec, New Brunswick, Nova Scotia, and British Columbia as it has shown in Ontario and the three Prairie Provinces. But in all the Provinces except Quebec and British Columbia the movement is formidable and it is easily conceivable that the farmers may have as many seats in the next Federal Parliament as either the Conservative or Liberal parties. There are two by-elections pending in Ontario, and if these also go against the Government Mr. Meighen may dissolve Parliament. A reason against dissolution is the necessity for a redistribution of constituencies when the census is completed. Probably the figures of the census will be available in October and Parliament could be at once convened. There is no doubt that a redistribution would give a greater representation to the towns and cities, but the West would also secure additional representation, and the farmers apparently do not believe that any fair readjustment would seriously affect their prospects in a general election.

### II. MR. MEIGHEN AT THE CONFERENCE OF PREMIERS

FAR greater interest than was anticipated has been aroused in Canada in the Conference of Prime Ministers in London. When Mr. Meighen left Ottawa it was believed that he had few if any definite proposals to submit to the Conference and that he would interest himself chiefly in the Japanese Treaty. It was not known that he would oppose renewal or go farther than to insist that nothing in the Treaty should be objectionable to Washington. There was, therefore, some surprise in

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Canada when the despatches described Mr. Meighen as the determined advocate of abrogation, and represented the Canadian Prime Minister as expressing the definite and settled opinion of the Canadian people.

It is certain that Mr. Meighen had no authority from Parliament to take this position, nor has there ever been any evidence of acute feeling in the country over the Japanese Treaty. In British Columbia there would be energetic protest if the regulations affecting Asiatic immigration were relaxed. There would be general protest over any attempt to deprive the Canadian Parliament of full control over immigration. It is certain, too, that any provision in the Japanese Treaty which could under any conceivable circumstances involve Canada or the Empire in conflict with the United States would be rejected by the Canadian Parliament. But there was no apprehension in Canada that Imperial Ministers would seek to open the ports of the Dominion to Asiatics, or that they would enter into any contract with Japan which would produce misunderstanding with the United States. There is, therefore, for Mr. Meighen's general position the strongest support, but subject to the conditions which have been stated it is doubtful if there is any great body of feeling in favour of denunciation of the Treaty if Imperial or Australasian interests would be prejudicially affected by denunciation or good relations between Great Britain and Japan disturbed or impaired. In short, it is not believed that Great Britain need affront Japan in order to conciliate the United States, and there are even those who think that a sympathetic understanding between Great Britain and Japan may enhance the power of the Empire to maintain good relations between Japan and America and control public policy on the Pacific to the common advantage.

For Mr. Harding's proposal of a Conference at Washington to further disarmament there is universal support in Canada. It is the common feeling, too, that the Conference should be held at Washington and that the Dominion



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should be represented. But the situation is not without confusion and uncertainty. Is the Empire to be represented at the Conference as an Empire or as five or six separate nations? To the British people few problems have ever been found insoluble, but it is idle to deny that grave difficulties lie in a divided diplomacy. According to the despatches Mr. Meighen has contended at the Conference of Prime Ministers that the British Government shall enter into no treaties or special alliances without consultation with and the advice of the Dominions; that all such treaties even when entered into shall be subject to the approval of the Dominion Parliaments; and that upon all questions arising as between the United States and Canada the advice of the Canadian Government must be accepted as final. One jealous for the old and common theory of Empire could easily regard this as the proclamation of a new Monroe Doctrine and as involving the final exclusion of Great Britain from this continent. It is not so intended, but surely its implications are revolutionary and far-reaching. As *The Montreal Gazette* admits, this is all in keeping with the theory of the Commonwealth of Nations, but "that it is all, and will at all times be practical, is not assured." It thinks there is a suggestion of limitation of the central power's necessary freedom in the proposal that upon all questions of foreign policy affecting the Empire the Dominion Governments must be consulted as there is a possibility of internal friction in the suggestion that no treaties or alliances shall be made without consultation with and the advice of the Dominions and shall be effective only on the approval of the Parliaments of the Dominions.

"The rulers of India," says *The Gazette*, "might think a renewal of the Japanese defensive treaty a good and proper thing; some of the Commonwealths may think it dangerous. Already it is assumed that Canadians should be guided as to their attitude by what the United States may think or what some may declare to be what the United States may think. Such possibilities as are suggested need not cause alarm or anxiety. The facing of the situation boldly

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and discussing its phases with open mind may solve the awkward points, or set them aside. Meantime the existing order, that has stood the severest of tests, remains and is likely to remain for a long time in the future. It was stronger than the desire for change to Imperial Federation. It may be stronger than the Commonwealth of British nations conception."

It is not impossible that the Conference on disarmament may sorely test the theory of the British Commonwealth of Nations. If there should be disagreement between Great Britain and Canada over the Japanese Treaty or any other proposal affecting the Pacific in which the Dominion may believe that it is vitally affected the United States and Canada in agreement may impose a decision upon Great Britain or bring the Conference to a deadlock. If Canada is to be the sole and final authority over all questions arising between this country and the United States, will Great Britain have any responsibility for the execution or observance of any contract into which the Republic and the Dominion may enter? There is probably no reason to apprehend that any such situation will arise, but at least it is wise to consider all the implications and possibilities which lie in the relation between Canada and Great Britain which Mr. Meighen would establish.

It is significant that the course of the Canadian Prime Minister at the Imperial Conference has the warm approval of all that section of the Press which represents the extreme autonomists. The Conservative newspapers have been more uncertain and more reticent. Mr. Meighen's conception of Empire is that of Sir Wilfrid Laurier, and Mr. N. W. Rowell, rather than that of the old school of Canadian Imperialists who have put the emphasis upon co-operation rather than upon independent and separate action by the various British nations. There is need for hard thinking and a long vision to determine the direction in which we are going. At least, Mr. Meighen has vitalised the problems of Empire and conceivably his attitude at the London Conference may have enduring



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effects upon political groups and political conditions in Canada. In so far, however, as he has emphasised the high importance to mankind of understanding and co-operation between the United States and the British Empire he has carried the free and common assent of the Canadian people and already there is evidence that Americans are neither indifferent nor unresponsive.

### III. A LEAGUE OF NATIONS SOCIETY

THE formation in Canada of a League of Nations Society, christened in Ottawa in the last days of the session at a non-partisan public meeting, with a number of representative Canadians as sponsors, has come none too soon, and at a singularly fortunate moment in view of Mr. Harding's Conference, which will give it a chance to be taken seriously. A society of this kind can do much good if it is prepared to interpret its title broadly. Its leaders must be prepared to risk any unpopularity rather than commit themselves dogmatically to the League in its present form, or indeed, at this stage, to any particular form at all. The dogmatist is the bane of all our efforts to think less provincially than heretofore. Reason is stifled in an atmosphere of positive unsupported assertions. The war disease of propaganda-mania is, like Spanish Influenza, particularly deadly to the young and healthy.

The hope of the Society's value lies in its willingness to meet an educational need for which, to speak frankly, there is no strongly expressed demand. The danger that its force may evaporate in sentimental oratory is rightly being risked in the effort to compel politicians and people alike to begin to learn and study the new rôle for which they have prided themselves so publicly on being cast. Both need and danger are very real, increasing rather than diminishing. For Canada as a whole persists in remaining oblivious to the fact that the League of Nations is not

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functioning as we expected it to function when our ministers signed the Covenant for us ; persists in believing, and complacently stating in the Press, that because the League is not killed, it is really alive ; persists in the most elemental contradiction of advertising at one and the same time that the Dominion has obtained an independent status and has not the least intention of undertaking an independent responsibility. We need no society, then, to tell us that the League of Nations is in the abstract a great conception or in the concrete a recognition of Canadianism. But we do need, as seriously intentioned people, to be made to bring pressure upon ourselves and our politicians to cap talk with action and to walk warily along a path which may indeed lead to Pisgah, but most certainly passes first through unknown woods where false turnings peter out in a maze of side-tracks.

Big talk about loyalty to the League idea is at this last stage quite as useless as big talk about loyalty to the British tie, which by cropping up in almost every parliamentary debate on international relations either within or without the British Commonwealth loses effectiveness in reiteration. And in fact our attitudes to the League of Nations and to our Commonwealth are closely, even inextricably, interdependent. We do not realise this, for the good but perilous reason that we are not intellectually frank with ourselves about either problem. Two extreme points of view, seldom openly expressed, are in actual conflict. One is that a League of Nations may somehow or other give us some of the benefits that, admittedly by almost everybody, accrue to Canada from the Imperial tie and at the same time pay more attention to our individuality than can Great Britain, however willing and considerate. The other, revolted by this suggestion, would repudiate any independent action by Canada as a signatory of the Covenant. The first view might easily lead, some would say has already led, to a policy of playing off one loyalty against another—a form of *realpolitik* the history of which is



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marked by disaster all down the record of ages. The second deliberately adopts a die-hard position entirely out of sympathy with post-war Canadian feeling when, for example, it rebukes Mr. Rowell for arguing with Mr. Balfour at Geneva. In either case, *non sequitur*; and in either case the logical error is traceable to one or both of two processes of thought: first, a vague feeling that the British League of Nations and the World League of Nations exist for similar purposes, have much in common alike in theory and fact, and are in greater or lesser degree interchangeable or potentially antagonistic; second, a definite belief that the first condition of Canadian contribution to progress in either association is a complete recognition of her status, and that until this is conceded to her fullest satisfaction she would be putting cart before horse to think out constructive policies or to take too seriously the problems of future commitments. It is to be hoped that the League of Nations Society will boldly combat both fallacies with the facts, and make perfectly plain to Canadian people that a League of Nations is an entirely new form of political adventure and in no sense an alternative to any political relations that they have had in the past, demand at present, and will certainly have in the near future with any or all of the other British peoples; and that the one inexorable and unchanging law of history is that the labourer is worthy of his hire,—which means, for us, that a very few years hence Canada's status will not in the least depend upon any recognition that a conference at London or at Paris or at Washington may concede to her now, but upon the value of Canada in society as expressed by service not with lips but hands.

“Facts are stubborn things,”—and they can outlast sentimentalities. The League of Nations lives, but only as an idea; for as a factor in world politics, everybody knows that it exists almost on sufferance, and every believer in it dreads to see it challenged by the very forces from amidst whose ashes it was said to have come to life. Is Canada, one of

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the loudest acclaimers of the idea, properly humiliated from the exaltation of 1919? If it be said that Canada can do nothing, let it be replied at once that Canada is at the present moment doing a very great deal. For as things are to-day almost the entire weight of world-peace hopes rests upon the British Commonwealth, and that not merely because only the British and English-speaking peoples have anything like sufficient force to crank the machinery of economic pressure, but (and more essentially, since in this respect the United States cannot help us as they can and must with the machinery) because little but the example of the British peoples in league restrains civilisation at large, and Europe especially, from the rankest scepticism about the possibility of any league at all. The world—another stubborn fact—is too old, too weary, and too profoundly menaced by anarchy to take risks. And only an active league of peoples who can live and develop harmoniously, expand to meet new conditions, contract in face of emergency, practise the arts of courtesy, appreciation, and give-and-take under the influence of a fundamental sympathy and common idealism that has faith to remove mountains, can give that world a real lead for the most daring policy that it has ever contemplated and shrunk from, disarmament. Plainly, then, the most pressing and immediate test of Canada's sincerity in the world-league cause is the attitude that she adopts within her own league in these days when she is, in the technical sense, one of the aggressors. We sail in waters that only Britishers have charted. We shall not be shipwrecked, but that is not enough. The landsmen waiting beside a frailer boat are watching how we manœuvre in heavy weather. One of the objects of the new society is "to study international problems and Canada's relation thereto *as a member of the British Commonwealth and of the League of Nations.*" The test of the Society is its ability to make Canadians see that this is one object, and not two.

It would not be true to say that Canadians have not



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recognised the parallel between the two leagues. The real danger is that a large number of them are prone to confound a parallel with an alternative, a mistake that is always common when thought is eager and hurried, and in this case responsible both for the conception of antagonism and the commoner feeling that experience and method learned in the British league will suffice for our intellectual stock-in-trade in the new commitments. Another duty of this educational society is therefore to impress the public mind that Canada is pushing forward on a venture that, in any shape remotely resembling the present League of Nations, is entirely un-British, and though certainly not necessarily the worse for that, so utterly unlike anything to which she has been accustomed that it is the part of common prudence consciously to study the nature of this new commitment and to hasten slowly in the unknown lest she release substance to grasp at shadow.

It may seem trite to rehearse fundamental divergencies in the history, aim, and nature of the two leagues to any who do not realise how persistently they are being ignored in the whole of this discussion. The League of Nations is a machine, and the most complicated machine that the world has ever known. This is inevitable, and will be true of anything that may develop out of it or replace it, because any association that aims at control of international affairs at this late date must be consciously created. Now every Canadian schoolboy knows that the British political system is not a machine, just because it has not been consciously created. And every Canadian newspaper reader and voter knows that the Dominion Premiers can press their cases so frankly and insistently at London without fear of ruptures that their electors would not for one moment tolerate, because they are part and parcel of a system that was not consciously created. In the Commonwealth League signs of the machine are like red rags to every shade of autonomist. Odd bits of machinery still control potential actions of Canadians. It is undignified, derogatory to the national

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status, to be part of any machinery that must answer to the control of a lever touched by others than the Canadian electorate. Sound sentiment—and so thoroughly British ! True, it is not a panacea, this spurning of machinery. Therein lies the great difficulty of finding the proper solution to the control of foreign affairs in the Commonwealth. Machinery can be safely scrapped when all parties agree in their dislike of it. The problem becomes involved when we contemplate half a dozen Commonwealth ambassadors at Washington, the capital of a great country still loyal to and indeed enthusiastic about the value of constitutional machines. Foreign affairs, like the League of Nations, or the International Labour Bureau, or indeed any conceivable form of international relations, cannot be worked entirely on the British principle of expansion and contraction, which is only possible where there is not merely the will to harmony but also the capacity of arriving at conclusions by similar processes of thought. If we could do without machinery in diplomacy, we should be a great deal nearer the millennium ; and almost certainly we should not be living through the aftermath of a great war. But we cannot, and it is a reasonable fear that in the proposed system of national embassies within the Commonwealth, two ambassadors, neither of them necessarily representing Great Britain, might pull down different levers at the same time and wreck the whole priceless contrivance of British prestige, British power, British security. None the less it must be emphasised that the autonomist movement in the Dominions is thoroughly British in instinct. Canadians are pressing for great changes within the British league, knowing that they are gambling on certainties because the machine that they would yet further modify is so small, so infinitely small a part of the political tradition of their British connection that it can be slowed down here, scrapped there, without hurt or loss of efficiency. Yet, with sublime lack of logic, we laud and magnify ourselves because in another league we are a very small cog in a very



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big machine which might, in theory, throw our young men out as soldiers into the Yap Islands or Turkestan with the alternative of being stamped as the pariah dogs of civilisation. And we never tire of declaring that Canadians will never fight in Mesopotamia for Great Britain, knowing quite well, and at bottom thinking it a rather wonderful thing, that Great Britain has never told us to send any soldiers anywhere. Now we have not the slightest intention of fighting in the Yap Islands or Turkestan, because we know that the League of Nations is not operating. Still we say that we desire nothing so much as to see it operating. Some even look to it for a freedom not attainable, a path of glory denied, under a system which has never charged us a dollar or demanded the sacrifice of a life.

Arising out of the difference between historical unity and machine-controlled co-operation is a profound divergence of authority and power and responsibility. The British Commonwealth is a superstate and cannot be anything else ; and that is something which the League of Nations is not, and never can become. This is the third stubborn fact, and no sophistries about "alliances of equal nations" will get us away from it. "The truth is," writes Lord Robert Cecil on July 4, "that the League of Nations, so far from being a superstate, is not even an alliance" ; while a week later *The Toronto Star*, in rebuking a publicist for "discovering" a movement for independence in Canada says editorially : "Those changes in her working relations with the Mother Country which Canada is asking, or which she is offered, will give this country a free hand in all her own affairs, and yet will leave us in a free and harmonious unity with the United Kingdom in all those wider matters in which the British Empire is concerned." The colours, then, are nailed to the mast as securely as ever. The autonomist (of whose views the *Star* is a representative organ) finds no dilemma between national aspiration and the continuance of membership in a superstate. This is no cause for logic-chopping—it "works." Once again, his

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process of thought is characteristically British. But this is just the point at which the Canadian differs most radically from American and Frenchman and Italian, who are historically unused to the idea of a loyalty to anything but a geographical unit, and so distrust all the implications of a superstate that it is safe to say that whatever form a world league may take, its authority will rest on entirely other sanctions than the final unity to which we have so insistently adhered. There can be no possibility of alternation between one idea where, for instance, as the Prime Minister of this Dominion has just reiterated in the most explicit terms, "the peril of one is the peril of all," and another wherein the whole chance of co-operation depends upon perfect freedom of each party to arrive at an independent decision as to the presence of peril to itself, uninfluenced by the pressure of common interests, instincts, and aims,—shared between it and all the other parties concerned.

For the third most striking difference between the two league ideas is a yet more fundamental difference of horizon. A machine may turn swords into ploughshares—God grant it can!—but it never gave breath to a great and happy people. Hohenzollern Germany made but the last of many historical attempts to prove the contrary. Thus we face one more stubborn fact. The prevention of war is a superb hope, but, twist it how you will, it remains none the less a negative conception. The British Commonwealth, having within its own orbit—more than a fifth of the world—already reached that goal is in position to begin where the League leaves off. For the British league is nothing less than a philosophy of justice, liberty, and toleration in the corporate society, not the only one that has stood the test of experience, but beyond all question the one proved most adaptable to different races, different stages of progress, changing political and economic conditions. If the British tradition were only a heritage to be used and directed into some new channel by a young and vigorous people, the binding tie might perhaps properly be relaxed to free that



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people for wider conquests. But the whole genius of the British ideal—and this is why there exists no concrete definition of it—is that it knows no goal, fixes its eyes on no delimited horizon. *Canada fara da se!*—but Canada by the very act of working out her own salvation does but carry on the greatest positive idea that man has dared to conceive. "In our political institutions," said Mr. Meighen in the Guildhall, "we are indeed replicas of this country. In that fact—what I call that momentous similarity—are wrapped up the sense of our common mission on earth and the secret of our unity." The vast majority of Britishers hail the world league idea. How could they logically do otherwise? The "mission" is manacled and fettered on its march into the unknown only by those armaments which a League of Nations is to destroy. But the world league cannot hope for generations to throw off the sombre shadow of the policeman; and its ultimate horizon is a judgment seat.

These divergencies, three among many, admit of and demand the deepest consideration by the common people, and until their implications are realised there is always the danger of a false step infinitely hurtful to Canadian prestige. The ignorance and uncertainty of Canadians on the facts of international relations and the problems of political science in its most complex form are not very different from those of all other parties to our present discussions. It is no longer sound diagnosis to attribute muddle-headedness to complacency or provincialism. The average man in the street here is no less instructed in these matters than the average European who is supposed to have escaped from provincialism and has certainly little cause in these days to feel complacent. The interest of the Dominion in great and difficult problems is thoroughly aroused. Never before has the Press devoted half as much of its news space and editorial pages to such subjects. Never has Parliament had so many or so carefully reported full-dress debates on non-Canadian affairs. It is this very interest, and the atmosphere of militancy that arises out of it, that accentuate

## A League of Nations Society

the uncertain touch of people, Press and Parliament alike and the need for accurate knowledge and the subordination of argument to fact. The indispensable ingredients for a successful solution of all our external problems are more precise information and more clear thinking. The value of the latter being entirely dependent upon the acquisition of the former, the League of Nations Society has an immediate opportunity for action, and by its acceptance or rejection of that opportunity its value will be proved, and its real sincerity judged. It needs no creed beyond that which is acceptable to every shade of serious political opinion. To repeat for emphasis—this is no time for propaganda. After London, Washington. A great opportunity is to hand to place all the facts before the Canadian people, inform them and keep them informed, and force them to do some hard thinking for themselves.

Canada. July 1921.



## AUSTRALIA

### I. MR. HUGHES' MISSION

**B**EFORE leaving for London to attend the Imperial Conference Mr. Hughes made a statement before the Federal Parliament on the objects of his mission and on the policy which he intended to advocate. The statement though it was severely criticised on some points was on the whole favourably received. There was a fairly general consensus of opinion that Australia should be represented, that her representative should be Mr. Hughes, and that his policy, subject to the pledge which he gave, would express the wishes of the Australian people. Mr. Hughes may therefore claim that on the subjects mentioned in his speech his attitude has already been approved by Parliament. But since the decision to take Parliament into his confidence was a departure from Mr. Hughes' practice in dealing with foreign affairs, or with Imperial relations, and since the statement cannot now be regarded as so comprehensive as it appeared when delivered, it may be useful before describing the debate to set out the circumstances under which it was held.

Since the very perfunctory debate on the ratification of the Peace Treaty, there had been no discussion in the Federal Parliament either of foreign affairs, or of Imperial relations. No Minister had attempted to analyse the new status which the Dominions were said to have acquired at the Peace Conference by their separate representation, and by their membership of the League of Nations, or to

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express an official opinion on the renewal of the Anglo-Japanese Alliance, the one problem of foreign affairs in which Australia was directly interested. Newspaper readers were familiar to some slight extent with the interpretation placed upon the new status by General Smuts, Sir Robert Borden and Mr. Meighen, but with a few exceptions, they were quite ignorant of the theory of constitutional relations promulgated at Paris and of the manner in which this theory had been affected in correspondence between the Imperial Government and Dominion Ministers. On defence they were slightly better informed. The necessity of co-operation had been demonstrated by Lord Jellicoe's report, by statements in the Imperial Parliament and by debates on the Federal estimates. But though the necessity of co-operation was recognised, no information had been given as to how it was to be carried out. Ministers had formed an unvarying habit of answering all questions on naval and even on military matters by saying that nothing final could be done until the Imperial Conference had formulated its plans. If Mr. Hughes had gone to London without previously consulting Parliament, he would have spoken for Australians on subjects on which they had had no opportunity of speaking for themselves, and possibly committed them to undertakings to which they were opposed. Some years ago such a course of action might have been tolerated. But more recently, a strong feeling has developed against dictation by the executive and, in particular, Mr. Hughes, and this feeling has coincided with a growing recognition of the importance of foreign affairs to Australia since the centre of interest has shifted from Europe to the Pacific. The demand that Mr. Hughes should consult Parliament was therefore cogent and the arguments were irresistible and since Parliament was in recess from the end of December until the beginning of March, it was necessary to put it forward in the Press. The most popular arguments were that the country was entitled to hear Mr. Hughes' ideas on defence and on the



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Anglo-Japanese Alliance, and that unless an opportunity for criticism had been offered he would not be able to speak with authority in the Councils of the Empire.

It was suggested also, that if he were to take Parliament into his confidence, the probability of any arrangement made at the Conference being subsequently repudiated would be very greatly diminished. At the same time, Mr. Hughes was called upon by a number of newspaper correspondents of high authority to state his views on Imperial relations. Reference was made to the speeches of South African and Canadian Ministers, to debates in the Canadian House of Commons, and to papers tabled there. The public were warned of the danger to the unity of the Empire involved in these doctrines and Mr. Hughes was asked to give the fullest information to the House of Representatives, and to express his dissent from them.

In compliance with the request of these correspondents the Government has now tabled a series of papers containing (1) the Memorandum of March 12, 1919, circulated at Paris by Sir Robert Borden on behalf of the Dominion Prime Ministers; (2) Rules of the Peace Conference defining the position and representation of the several Powers including the Dominions; (3) correspondence between the Commonwealth Government and the Secretary of State for the Colonies concerning the signing and ratification of the Peace Treaties and an Order in Council passed in Australia praying His Majesty to issue Letters Patent appointing plenipotentiaries in Respect of the Commonwealth of Australia. But they were not tabled until the debate was over and it was not until the last day, a fortnight after it had begun, that members were shown the Agenda Paper of the Conference and the cables between Mr. Hughes and the Imperial Government which led to its being summoned. How the earlier disclosure of these documents would have influenced the debate it is impossible to say, but obviously a debate based on exact knowledge of what was done would have had a greater value. The

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Agenda Paper, taken in conjunction with the cablegrams, is no doubt susceptible of the interpretation which Mr. Hughes gave it—that the Conference has been called to deal with single problems and not to establish permanent machinery although item 4 is “arrangements for securing a common Imperial policy in foreign affairs.” But the memorandum to which Mr. Hughes was a party is in flat contradiction to his statement that no change in Imperial relations was made at the Peace Conference, for it lays down as an accepted doctrine a theory of constitutional relations\* which has never been accepted or even propounded in Australia, treating the resolutions of the 1917 Conference at which Australia was not represented as if they were universally binding and applying them to the future relations of the Dominions with the Imperial Government without approval of all the Parliaments or without even the formality of a conference.

Mr. Hughes began by dismissing the critics of his attitude on constitutional relations as Imperial Federationists, and then addressed himself to the questions of the Anglo-Japanese Alliance and of co-operation in defence, which he said would be the only questions to come before the Imperial Conference. It was to his treatment of these two correlated topics that the very favourable reception of the speech should be attributed. The speech was entirely different in tone from those utterances at Paris and else-

\* The first paragraph of the Memorandum referred to is as follows :—

(1) The Dominion Prime Ministers, after careful consideration, have reached the conclusion that all the treaties and conventions resulting from the Peace Conference should be so drafted as to enable the Dominions to become Parties and Signatories thereto. This procedure will give suitable recognition to the part played at the Peace Table by the British Commonwealth as a whole, and will at the same time record the status attained there by the Dominions.

(2) The procedure is in consonance with the principles of constitutional government that obtain throughout the Empire. The Crown is the Supreme Executive in the United Kingdom and in all the Dominions, but it acts on the advice of different Ministries within different constitutional units; and under Resolution IX of the Imperial War Conference, 1917, the organisation of the Empire is to be based upon equality of nationhood.



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where which have caused many Australians to regard every reference by Mr. Hughes to their neighbours as fresh dangers to peace. He spoke with an obvious sense of the hazardous position of this country in the world, of its need of peace and friendship, of the benefits which it has received from the Imperial connection, and of its obligation in the future to take a fuller share of the burden of defence. He spoke of the Japanese people with friendliness and respect and of the Alliance as an instrument of peace. He did not discuss the general arguments for and against the Treaty, nor were they adequately discussed during the debate; but he advocated the renewal of the Alliance as a means of eliminating possible causes of war, and he coupled his advocacy with the two reservations that no treaty must impair the White Australia policy, or in any way endanger our friendship with the United States. His statement of defence policy was a reminder of the insecurity of our position, of the value to the whole Empire of the supremacy of the British Navy, and of the inability of the people of the United Kingdom alone to maintain it at the pre-war standard. He argued that his duty, or that of any other delegate to the Imperial Conference, would be to join in a practicable scheme of co-operation, but pledged himself not to become a party to any scheme which would not be subject to ratification by the Commonwealth Parliament.

It would be difficult, no doubt, to find fault with any statement of future policy framed in very general terms unilluminated by any record of past failures. But Mr. Hughes' success was not merely negative. It was recognised in Parliament and the country that he had accurately and fairly expressed the view of the Australian people, and while his adherence to the White Australia policy was acknowledged, a warm welcome was given to his profession of friendship and respect for Japan. The only attack of importance was delivered by Mr. Ryan, Deputy Leader of the Opposition, after his leader, Mr. Tudor, had expressed a general if reluctant concurrence. He moved an amend-

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ment calling upon the Prime Minister not to assent to make Australia a party to any Anglo-Japanese treaty without the consent of Parliament, and argued that in spite of the reservations already made the Alliance, if renewed, would almost necessarily give offence to the United States. He was supported by the whole of the Labour opposition, including Mr. Tudor, but the amendment was opposed by the Government and rejected by the united votes of the Nationalist and Country Parties. The Prime Minister pledged himself that "all matters involving the expenditure of public moneys and affecting the interests of the country, such as the questions of naval and military defence, and any scheme for adjustment of foreign policy, together with the terms of the Anglo-Japanese Alliance—if it should be renewed—should be brought before Parliament." But he refused to pledge himself to refrain from supporting a renewal of the Alliance until Australia had been consulted either through Parliament or, as had been suggested, by a referendum.

Mr. Hughes refused to discuss constitutional relations in his speech, and based his refusal on the two somewhat contradictory grounds that no change had taken place, and that such questions had been postponed by the express direction of the Imperial Government until a later conference. Nevertheless, in the course of the debate he did affirm certain propositions of far-reaching importance, some of which do not appear to be accepted in other Dominions. He *affirmed, for instance, that the Imperial connection must be maintained*, that the legal supremacy of the Imperial Parliament still existed, and that when the Imperial Government was at war Australia was at war, the nature and extent of her contribution, if any, being the subject of arrangement between the Australian and Imperial Governments. On this aspect of his speech, however, he was by no means exempt from criticism from his own side of the House. In particular, his former colleague, Mr. Watt, drew attention to the danger to Imperial unity involved in what he called



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the direct wire between Australia and the League of Nations Secretariat. Mr. Watt was Acting Prime Minister during the Peace Conference, and though, as appears from the published correspondence between Mr. Hughes in England and the Cabinet in Australia, he dissented from the separate representation of the Dominions at the Conference, he must share responsibility for the ultimate acquiescence of the Ministry. But his observations on the value of unity in external relations and on the difficulty of efficient co-operation if each Dominion conducted a policy of its own were very much to the point and were supported by Mr. Earle Page, who is now leader of the Country Party and is entering on a very promising career in Federal politics.

Unquestionably, his refusal to discuss Imperial relations and his failure to disclose the relevant documents must detract both from the educational value of this debate and from Mr. Hughes' authority on Constitutional relations. *He has no authority whatever, either to make any new claims for status or to reaffirm the position taken up in Paris.* He has rather less authority than he had then, for influential members of the majority in Parliament have declared themselves in favour of preserving the formal and practical unity of the Empire, *even at the cost of retracing steps already taken. But it is a possible explanation of Mr. Hughes' attitude that he has not even now fully realised the dangers to the unity of the Empire of the changes already made.* He has always spoken of the new status as if it were a reward of the achievements of the Dominions in the war. It is so described in the Paris memorandum, and Mr. Hughes seems to have regarded it as having no further implications. In his speech on the relations of Australia to the Mother Country he has usually had other than constitutional dangers in view. He has thought it necessary to answer the declared and undeclared enemies of the Empire, probably with an exaggerated idea of their numbers, and publicly to reaffirm the desire of the Australian people to

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maintain their allegiance on spiritual as well as on material grounds. This explanation is supported by the many speeches made by Mr. Hughes outside Parliament prior to sailing. He repeatedly and emphatically declared his conviction that Australia must remain an integral part of the Empire in close co-operation with the Imperial Government, and almost as frequently enunciated constitutional theories, which were at variance with each other and with his views as expressed in Parliament. If invective and panegyric had been accompanied by analysis we should have been better off. Mr. Hughes' habit of unthinking improvisation and of accommodating himself to his immediate audience makes it necessary to receive all his utterances with the utmost caution. But there can be no doubt that on foreign affairs and on defence—as well as on the attitude of Australia to the rest of the Empire—he has expressed the views of the Australian people and that he carries with him a precise authority not hitherto obtained by any Australian delegate.

## II. Wool

WHEN the Australian Wool Pool ended on June 30, 1920, in the course of four wool seasons 7,127,000 bales, or 2,274,164,123 lbs. of wool, at an appraised value of £159,896,396, had been sold to the British Government, in return for which Australian wool-growers had obtained on an average 1s. 3½d. per lb. in cash, together with the right to 50 per cent. of the profits on the re-sale of the wool by the British Government. The sum of £7,600,000, representing a half share in the profits up to the end of March, 1919, was distributed to the wool-growers in October, 1920. Since the armistice the British Government had been so successful in selling wool at high prices that, by the end of 1920, sales of part only of its stocks of Australian wool had returned more than the purchase money of the whole.



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There remained unsold in the hands of the British Government "carry-over" wool from the Australian wool pool to the amount of about 1,800,000 bales—some of which was in Great Britain, some in Australia, and some in the course of transit. According to contract, the British Government owned this wool subject only to the provision for distributing half the profits and all excess of receipts over expenses of disposal was now clear profit. In addition to this quantity the British Government held about another million bales of New Zealand and South African wools not yet sold.

It had been arranged at the end of the pool that auction sales in Australia of the 1920-21 clip should begin in October, 1920. Wool prices in Great Britain had reached their highest level in March, 1920, and since then had fallen continuously. This necessarily affected the Australian market, so that the new clip sold very slowly and only fine wools were in request up to May, 1921. Before the war the season's clip was usually marketed by the end of March at latest, but this year by that time barely half had been disposed of, leaving unsold, it was estimated, about 800,000 bales, mostly of inferior wools. Wool is the most important and valuable export from Australia, and Australian banks largely operate on money received from its sale overseas. In the past three wool years this had amounted to about £48,000,000 a year, but the drop in prices and unstable market conditions threatened to reduce this for the 1920-21 season to no more than £20,000,000 and to cause serious financial stringency. The pre-war world's consumption of Australian wool was about 1,800,000 bales annually, but this season there were ready for marketing 3,400,000 bales. In fact, there existed the familiar phenomenon of over-production of a commodity due very largely, in this instance, to the fact that European countries were unable to purchase wool on the same scale as before the war.

The problem which confronted all those interested in

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wool—both in Great Britain and Australia—was how to dispose of this huge accumulation in such a way as to prevent it having a disastrous effect upon the wool industry. To throw it upon the market at once, new wool competing with carry-over, meant probably forcing the price below a level remunerative to the grower. It would mean, too, in all likelihood, handing over a good part of the wool to syndicates of speculators whose interest it would be to manipulate the wool market and to exploit both producer and consumer. Indeed it was alleged to the Federal Parliament that syndicates had been formed for this purpose in anticipation of a forced sale. To hold the carry-over wool off the market meant only postponing the evil day. Woollen manufacturers in Great Britain were naturally anxious to secure cheaper wool, especially after the extremely high prices of 1920, and the consumer wanted cheaper woollens. The grower wanted a price at the least not lower than the cost of production. The British Government wished to get rid of its holding and to close its wool department as soon as possible. Even before the end of the pool negotiations had been carried on between the Australian Central Wool Committee, the representatives of the wool industry in Australia, and the British Government, with a view to devising a scheme for disposing of the carry-over wool. These negotiations were continued during the latter part of 1920, and resulted in the formation of the British-Australian Wool Realisation Association, Ltd., whose initials form the word "Bawra" which promises to become as famous in its way as "Cabal" or "Dora." This association was incorporated and registered under the Companies Act of Victoria on January 27, 1921. The British Government arranged to terminate the wool contract as from January 1, and the association as representing the growers took over ownership and control of half the wool, and was to act for the British Government in disposing of the other half. Naturally there was no physical division of the bales, but, after deducting expenses,



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the proceeds of all wool sold by Bawra will be divided equally between the British Government and the wool-growers. There is a condition in the contract of agency that it may be revoked if the conduct of the business departs from agreed principles. Bawra has thus a divided allegiance. It attempts to serve two masters—one the Australian grower who desires first, and most important, to sell the new clip, next, not to lose the profit on the carry-over wool : the other, the British Government, whose interest it is to get a large profit as quickly as possible on the carry-over wool, and to see that the woollen industry of Great Britain does not suffer.

When the scheme was first made public in December, 1920, there was a good deal of hostile criticism—especially from the Yorkshire Press, which took the view that it was an attempt on the part of the sellers of wool to dictate prices to the manufacturers. It was denounced as an attempt to corner the wool market, and to maintain prices to the prejudice of manufacturers and consumers which was, they asserted, in particularly bad taste since the British Government's purchase of the wool clips during the war had rescued Australian growers from certain ruin. The British Wool Federation, however, before the end of the month, accepted the scheme as being in the interests of the whole trade, while the Ministry of Munitions in January, 1921, alleged that the interests of the producers and users were fundamentally the same in procuring the largest possible consumption, keeping the price above the cost of production, and preventing an excessive price. During the discussion more than one wool "expert" expressed the opinion that a lowering of the price of wool would not materially stimulate the demand.

Bawra, then, is a company established primarily for the disposal of the carry-over wool. Sales of this wool continued to be made in London at reserve prices, but from the beginning it was recognised that the competition of new wool with Bawra wool would reduce prices—especially

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as brokers became aware of Bawra's reserves and undersold them. If a satisfactory arrangement could be made between the owners and sellers of new wool on the one hand, and Bawra on the other, it was obvious that something like a monopoly in Australian wool might be established and the price of wool "stabilised." With this aim in view, in February Bawra and the Wool Selling Brokers of Australia agreed that the regulation of wool offerings for auction in Great Britain and Australia, and the fixing of reserve prices were "generally advantageous to the wool industry as a whole in Great Britain and Australia." Practically the same agreement was affirmed in March at a conference in Melbourne representing Bawra and all sections of the Australian wool industry. Similar negotiations were carried on between Bawra and the Colonial Wool Merchants' Association in England. But these proved unsuccessful. In spite of agreements some new wool was sold in London without reserves. Bawra was, therefore, in April forced first to reduce their offerings considerably and then, since no bids were received at the reserve prices, to cancel the sales. From January 1 to March 31 less than 100,000 bales of carry-over wool were sold in Great Britain. The Bawra directorate in Australia then issued an appeal to all interested to co-operate in the sale of the new clip and the carry-over wool. They proposed first, to fix a minimum reserve calculated on an average price of 9d. per lb. ; next, to regulate offerings of new and carry-over wool both in Australia and in England ; finally, in order to bring the recalcitrant minority of "free" sellers into line they proposed to prevent any wool being exported from Australia which did not comply with their first proposal. This arrangement was adopted by the National Council of Wool-Selling Brokers of Australia, but for the prevention of export it was necessary to obtain the co-operation of the Commonwealth Government. Mr. W. M. Hughes gave his assent and regulations to give effect to the proposals were introduced by him into the Commonwealth Parliament



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in April just before he left for the Imperial Conference. He suggested that the minimum price should be 8d. per lb. and that the restrictions on export should hold only for two months until he was able to carry on negotiations in person in London. The Government showed no enthusiasm for the project and expressed doubts as to its success, but it met with little opposition in Parliament. On May 9 regulations were issued under section 112 of the Customs Act, which provide that before any shorn wool may be exported from Australia evidence must be given that it was bought at a price not lower than an average price of 8d. per lb. If the wool is exported for sale overseas security must be given that it was not to be sold at a price lower than the equivalent of the reserve price. The regulations are to remain in force for six months. The selling brokers in Australia secure practical assent to the scheme by refusing to catalogue wool for sale unless the owners accept these conditions.

Several other proposals were made both inside and outside Parliament for dealing with the carry-over wool. It was suggested that it should be held off the market altogether for a definite period, but it was considered that this would only aggravate the position later. Another proposal which lacked support was that Bawra should purchase the British Government's interest. The most popular one was that the wool should be sold on long terms to European countries, especially to former enemy countries. This had been already done to some extent by Bawra in the case of Austria and Poland, and fears were expressed that if this were continued on a large scale the goods manufactured from the wool would be dumped upon our allies. No one had any definite plan for meeting the difficulty of payment in view of the present condition of international exchanges. There were even traces in the debates in Parliament of the absurd doctrine that Australia should sell goods to Germany but should not otherwise trade with her.

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The action of the Government in coming to the aid of a private company in its efforts to control the minimum price of our principal export commodity deserves serious consideration. A combine is none the less a combine because it professes to have as its object the saving of an industry from ruin. Bawra insisted that the scheme was not one of price fixing, but an attempt to "stabilise" the industry by preventing the price from falling below the cost of production. None the less it is evident that its whole object is to fix the lower limit of the value of wool, and it is possible to do this only by the virtual control of the whole Australian supply given by the restriction of export. The Commonwealth Government appears to be following doubtfully in the footsteps of the German Government in assisting in the development of an industry by a cartel. It is, indeed, diverting to find the members of the pastoral industry, usually the first to condemn roundly all Government "interference" with industry and commerce, appealing for aid at the first sign that their combine is likely to be unsuccessful because of a few growers and brokers who apparently hold the old-fashioned belief that competition is the life of trade. The time-honoured "law of supply and demand" received a curious but apparently widely-accepted interpretation at the hands of the authors and supporters of the new scheme. It is conceived at one and the same time as an inexorable force directing economic life, and as a jealous deity visiting swift punishment on the heads of all who disobey its command. "I have no desire to use the Customs Act for interfering with the law of supply and demand, but I see no alternative," said Mr. Jowett, a leading wool grower, speaking in the House of Representatives. "Immediately the big stocks of carry-over wool have been absorbed," said Sir John Higgins, chairman of directors of Bawra, "this temporary method can be discarded and the law of supply and demand become fully operative." They forget, or choose to ignore, the fact that their plan provides an excellent example of how the so-called



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“law” works when the rate of supply upon a given market is regulated by a combine of sellers.

Whether the scheme will succeed in gradually marketing the stocks of Bawra wool and the new clip at a price not lower than the cost of production will depend upon the future wool market, about which it would be foolish to predict. The fact seems to have been forgotten that Australia is only one of the wool-producing countries of the world, and, although holding a dominating position in merino wool, has to meet the competition of several countries in selling other wool. Six months fixing of minimum prices is not sufficient to induce a manufacturer who looks ahead to rush in and buy large quantities of Australian wool at prices which may drop heavily when the regulations come to an end. In any case Bawra's task is likely to extend over several years because of the accumulation of carry-over and new wool.

Since the issue of the regulations the outlook for the sale of wool has become brighter. The London sales in May, both of Bawra and new wool, were marked by stronger competition, some advance in prices, and the sale of the bulk of the wool offered. All sales in Australia were cancelled in April to await the result of negotiations between the various interests, and on their resumption in May competition and prices improved, withdrawals were few, and most of the wool offered was sold.

The financial stringency mentioned above has recently caused several Australian banks to restrict accommodation to many of their customers. A deputation of graziers affected by this waited upon the Treasurer and Acting Prime Minister, Sir Joseph Cook, on May 26, asking for temporary financial assistance. This was refused, but then it was proposed by Sir John Higgins, chairman of Bawra, that for the next five years Bawra should control the whole of the Australian clips on condition that all growers should belong to the pool. As it is fairly certain that a minority of growers would oppose this, compulsion could only be

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imposed by legislation, and it is not likely that the Federal Government would assent to a proposal which would give complete control of the whole of our wool supply to a combine—even though it were a combine of wool growers.

Australia. July, 1921.



## SOUTH AFRICA

### I. IMPERIAL AND FOREIGN POLICY

THE hope expressed in the June number of THE ROUND TABLE that General Smuts would make a statement of policy before his departure for the London Conference was fulfilled on May 20. Before proceeding to discuss the four main points on the agenda, the Premier protested against the idea prevalent in certain sections of the British Press that this meeting was in any sense an Imperial Cabinet. "The name," he said, "is a misnomer. It is no Cabinet . . . it has no executive functions. This body . . . is a mere consultative body" with no binding powers at all. The disavowal was necessary, because Nationalist criticism had already been directed against the possible binding of South Africa's hands implied in the Cabinet idea, and General Hertzog, in the debate which followed the Premier's statement, made much of this very point.

As touching foreign policy, General Smuts reminded the House that whereas, while she was a colony South Africa could say very much what she pleased without fear of consequences, as a Dominion with international status she must practise caution and restraint. Privilege entails responsibility. A growing realisation of this fact has done more—more even than the check administered to the secession agitation at the late elections or the hard times which have overtaken South Africa—to give that tone of seriousness and moderation which has been so noticeable in the debates of this session. All parties realise that

## Imperial and Foreign Policy

South Africa must face the risks of foreign policy, with their inevitable reaction on domestic affairs. She can do it in isolation if she wishes, or she can do it as a member of the British group of states. In one way or the other the task has to be undertaken. This realisation is one of the main sources of General Smuts' power. He is the least insular of our politicians, and the days of isolation are over.

"To my mind," he said, "there is nothing, even from the point of view of South Africa, from our own domestic point of view to-day in the world, more important than the foreign policy of the British Empire. . . . Our point of view is that what is to-day wanted, above all else in the world, is peace. The world wants it, we want it here in South Africa, and the British Empire wants it, perhaps more than any other combination or group of states in the world."

For the world hangs together to-day as it never did before. No national society, not even the U.S.A., can live to itself alone. In this view General Smuts was heartily supported by the leader of the Labour Party. Commenting on the Nationalist plea that South Africa should keep out of European and Empire politics alike, a plea supported by the novel statement that the U.S.A. had become great "simply because it had kept out of Europe," Mr. Boydell declared that this idea of "splendid isolation" was simply impossible and indeed undignified. South Africa cannot take up the line of "doing trade with everybody, getting benefits from everybody, but accepting none of the obligations and very few of the responsibilities, taking part in the world's affairs but not being in the world's affairs."

General Smuts, supported by the bulk of public opinion in South Africa, proposed to use South Africa's influence in Imperial and world affairs to the utmost. The task which he envisaged for the Empire is an inspiring one. That body, he held, had emerged from the war as "the most powerful organism on earth." It is her duty to take stock of her position at this, the eleventh hour, return to her "traditional policy" of avoiding entanglements in the politics of Europe, and act as peace-maker to heal the hostile spirit



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which is abroad in all Europe. Whether or no he was right to suggest that the traditional policy of Great Britain had indeed been to avoid European entanglements for any length of time matters little. His meaning, and still more his intentions, were clear. The British Empire must keep her hands as free as possible and avoid being drawn into the stormy politics of the Continent as the partisan of any one particular group of states. Her rôle to-day is that of honest broker.

The problem of Europe, as Smuts sees it, is largely psychological. The bitter hostility, "the age-long feud" between Germany and France, is only one symptom of a state of mind. That state of mind is inflamed by uncertainty and suspicion. The fixing of the indemnity and German disarmament are two great steps in the direction of political stability, provided the latter can be made the basis of a general disarmament.

Pacification, disarmament, and the danger of entangling alliances led naturally to a statement of the Union's attitude towards the renewal of the Anglo-Japanese alliance. The Premier recognised that this alliance was primarily a Pacific question, and, as such, did not affect South Africa directly; but, bearing in mind the smallness of the world to-day, it was impossible for South Africa to ignore the matter. In 1914, he said, "something that seemed to have nothing to do with South Africa drew her into war. . . . Such is the unity of mankind that there was this repercussion . . . One never knows." Under these circumstances he endorsed Mr. Hughes' view that it was desirable that the renewal should take place, provided that it did not conflict with what must be the cardinal point in British Imperial policy, a good understanding with the U.S.A. The British Empire has ties with both the U.S.A. and Japan. The centre of political interest for the next fifty years is likely to be the Pacific. Europe has largely destroyed herself, and will probably count for less in the affairs of the world than at any time since the seventeenth

## Imperial and Foreign Policy

century. In the Pacific, the Empire is the natural peace-maker between East and West. It remains to be seen how she will sustain the rôle.

In connection with this policy of pacification, the question of Ireland naturally arose. The Premier touched upon it in his reply at the close of the debate, à propos a defence of the idea embodied in the League of Nations.

“The difficulty with the League of Nations,” he said, “is that it is restricted by its own constitution in solving difficult internal problems of its own members. There is an article . . . which says that as soon as a question appears to be of a domestic character then the League shall have nothing to do with it. In the . . . Councils of the Empire, however, a more lenient view may be taken. . . . Take the question of Ireland, for instance. There is no doubt this is a domestic question of the United Kingdom, but . . . it may be that the British Government may desire to consult the Dominion Prime Ministers on the state of affairs that has arisen there.”

Since this statement was made, all the world knows that Smuts at least was consulted, and that, after his visit to Dublin, he was able to state that “although I am not sanguine, I am hopeful. . . . I believe that the problem can be solved, because I have seen it solved in my own country under circumstances not so bitter, but nevertheless of the greatest difficulty.” At the time of writing little more is known in South Africa than the hope thus conveyed, but it is a matter of pride to all South Africans that their Premier has taken a leading part in bringing the parties to the three-cornered struggle in Ireland round one council table.

General Smuts had little to say on the question of Imperial defence. The discussion will naturally arise out of Lord Jellicoe's report on defence in the Pacific. It is obviously a matter of grand naval strategy on which South Africa must hear more before expressing an opinion. Local naval policy is another matter closely connected with considerations of finance. Without committing him-



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self, General Smuts hinted strongly that he favoured Dominion fleets on the Australian model.

The most hotly debated point in the Premier's speech was his reference to the agenda for the Constitutional Conference of 1922. The Nationalists discussed the matter with a marked absence of rancour, as Smuts gratefully acknowledged, but their point of view was none the less plain. They feared that the resolutions taken at the 1921 Conference would be morally binding on South Africa, and that the mere discussion of such highly important matters as foreign policy, naval defence, and the Anglo-Japanese Treaty would prejudge those decisions, as to procedure and the powers of the Dominions in determining policy, which are to be taken in 1922. The first fear may be groundless, but there is substance in the second. But what can be done? Surely not recourse to the desperate remedy suggested by General Hertzog that the Premier should not attend these annual conferences? "The Prime Minister," he said, "is only human and is subject to influence and environment" in which he would trust himself as little as he would trust General Smuts. This was really the crux of the debate. The Premier's reply was short and sharp. Given the world as it is constituted to-day, there must be either round table conferences or collisions. Both the League of Nations and the British Empire are constituted on the principle "that nations would no longer act on their own, but that they would come together and consult." If South Africa were to remain in isolation decisions would still be taken, but taken without her criticism and full knowledge.

# Native Policy

## II. NATIVE POLICY

**P**RIOR to union, a satisfactory solution of the native problem was impossible. In the four short years which elapsed between union and the war, the only measure of any importance passed by Parliament on this matter was the Native Lands Act of 1913, which aimed at confining the acquisition of land by Europeans and natives respectively to specified areas. This Act, which was modified in 1917, was never carried out, and effected little beyond arousing a good deal of excitement in the native mind. During the war and the years immediately following it South Africa could do little more than carry on. It was not until 1920 that the Prime Minister, who, following the old Cape tradition, is also Minister for Native Affairs, introduced the Native Affairs Bill. Lord Buxton, our late Governor-General, has recently reminded an English audience that this was the first time that the Native question, the greatest of all South Africa's domestic problems, had held pride of place in a legislative programme in the Cape or the Union for over twenty years.

During those twenty years the problem has become more and more difficult. Peace south of the Zambesi has led to a rapid increase of the Bantu. To-day the blacks are about five times as numerous as the whites. Their tribal system has steadily crumbled under pressure of European civilisation. So far little has been provided to take its place. The power of the chiefs, resting as it does upon prestige and tradition, has failed or is failing. The presence of white magistrates, the possession of money wages, the taste of urban life acquired by tribesmen in the towns, all act as a solvent on the framework of African society. The days of the great Bantu chiefs are past.

The tribesmen have not yet found a place within the structure of European society. On the farms the transition



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from tribal life is not so abrupt. The Kaffir loves the smell of the earth and the lowing of cattle, and both of these he gets upon the farms. But in the towns and on the mines he is in a strange and uncongenial atmosphere. As a rule he is badly housed. In the mine compounds, it is true, his creature comforts are well cared for, but his liberties are curtailed. He suspects that, in the eyes of his white employer, he is looked upon as an asset, as a unit of that "labour force" of which so much was heard in the 'nineties. Meanwhile he is realising more and more that outside the coloured area in the western Cape province he is the basis of society. He sees that he pays his taxes and, outside the Cape, gets comparatively little in return. The situation in this respect is better than it was, but much remains to be done. He knows that in some cases the jury system strains justice against him. He finds that since 1914 the price of his necessities has gone up, while his wages, unlike those of white workmen, have remained more or less stationary. He has no voice in politics outside the Cape, and even in the Cape he cannot sit in Parliament. Nor does he feel that his educational needs are being adequately met. Again there has been an improvement in many parts of the Union of late years, but the improvement is inadequate. In the Transvaal he finds the colour bar erected against him; in both the Transvaal and the Free State he is subject to Pass Laws. Finally, like his white neighbours, his mind has been sorely shaken by the war. To put the position in a sentence, he is, as Smuts said, losing faith in the white man, in the white man's education, and in the white man's religion. He is puzzled, and therefore in a mood to become angry. Passive resistance on the Rand mines, a riot of students at the great Native college at Lovedale, a serious strike at Port Elizabeth culminating in indiscriminate shooting by uncontrolled Europeans, all point to the possibility of serious trouble.

Hitherto the security of the white man has largely lain in the divisions of the black. To-day a sense of solidarity is

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spreading among the Bantu in the Union and on its borders. This tendency need not be exaggerated, but it cannot be ignored. Educated Natives have watched the Nationalist agitation at close quarters. They have seized upon the formula of self-determination and applied it to their own case. They have also heard of the League of Nations. They ask whether the voice of the Bantu is to be heard in the Sanhedrim of the Tribes. Failing the League, there is still the British Empire. The general meeting of the S.A. Native National Congress, recently held at Bloemfontein, declared that it viewed with alarm the possible destruction, as a result of the Premiers' Conference, of the King's veto on laws passed by the Union Parliament, and, therefore, demanded direct Bantu representation at the Constitutional Conference in 1922.

This, roughly speaking, is the situation as it appears to many Europeans in the Union. It is, however, as Lord Buxton was careful to point out, extremely difficult to know what is really passing in the mind of the tribal Native. Hence the importance of the Government's decision, as a result of the tragedy at Bulhoek, to appoint a commission to inquire into the state of the Native mind which lies at the back of that untoward event. It is also worth noting that the University of Cape Town has, after a long-continued effort, established a school of Bantu studies, an example which the new University of Johannesburg is making haste to follow. If only the Government can make contact with the Native mind half the difficulties in the way of a solution of the Native problem will be cleared away.

The Native Affairs Act of 1920\* was piloted through Parliament by General Smuts. It is intended to remove one of the main grievances of the Bantu people of the Union. At present they are in the State, paying taxes to it, subject to its laws, but they have hardly any voice in

\* No. 23 of 1920.



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the framing of those laws or the fixing and spending of the taxes. A comparatively few individuals may, by reason of education and mode of life, be really fit to perform the functions of citizens ; a few more may be able to fulfil the qualifications required of a voter in the Cape ; the vast majority are undoubtedly unfit as yet to take their place in the social and political framework of European society without wrecking it. That is the fundamental fact which South Africans would ask their friends overseas to bear in mind.

On the other hand, the Bantu tribal system provides for government by the chief and the council of great men. The Bantu loves talk, formal and deliberative talk, as much as ever the eighteenth century British Parliament loved it. But it must be talk in the presence of the chief. "Personal relations, personal contact, the personal equation" they must have. As the Matabele told Rhodes after the Rebellion of 1896, "our king, Lobengula, is gone and there is no one to whom we can speak."

The Native Affairs Act provides at once for these personal relations and for regular deliberative assemblies. A Native Affairs Commission has been appointed under the Act, consisting of the Minister of Native Affairs or his deputy as chairman and three members, specially selected for their knowledge of Native affairs. These three men are to be "the eyes and ears" of the Prime Minister. They are to advise the Government on the delimitation of the land into European and Native areas, in terms of the Acts of 1913 and 1917 ; but, as this division is not to take place before the economic and administrative relations of Europeans and Natives are on a sounder footing and then only when the Natives can be consulted, it would seem that this advice will not be required for a long time. The more pressing duties of the Commission are to devise a policy for dealing with those Natives who drift into urban areas, the incidence of Native taxes, the expenditure of a reasonable proportion of the proceeds upon the Natives themselves, education,

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native industries, agriculture, and the tangled system of Pass Laws.

The Commission will keep in close touch with Local Councils in Native Areas. These Councils already exist in certain parts of the Cape province. The system is to be extended, and councils of nine Natives under a European official are to be encouraged to assume responsibility for the conduct of their own affairs in such matters as local roads, drains, dams, dip tanks, water, agriculture, afforestation, hospitals and education. These Councils will have the power of levying taxes to the extent of £1 per head on the Natives in their areas. The amount thus raised will be deducted from the hut tax levied by the central Government. The money thus raised will be spent by the Council raising it. In other words, the Natives will receive a training in real local government.

Over and above the Local Councils there are to be Conferences of Chiefs, headmen and delegates from native political and economic associations, summoned on the recommendation of the Commission. These Conferences will be purely consultative, but they will ensure that, before any measure affecting the Natives comes before Parliament, the leaders of the Natives will have a chance of expressing their opinion formally upon it. Such an expression of opinion will undoubtedly carry great weight in a country like South Africa.

The measure is a great and hopeful step forward. The existence of the reasonable policy embodied in the Act and of the Native Commission helped to tide the two races over a crisis which, in the absence of one or both, might have had the most serious immediate consequences.



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### III. BULHOEK

THE name of an obscure Native Location in the district of Queenstown in the Cape Province is destined to figure prominently in the record of the dealings between white and black in South Africa. Already there are signs that the name may become the label of a legend, much as the name Slachter's Nek has become among the more perfervid Nationalists. It is all the more important then that all the facts relating to the tragedy which was enacted at Bulhoek on Empire Day should be verified beyond all doubt and be fully recorded. For the incident is itself significant of much and may well become significant of a great deal more.

The bare facts are that a force of some 800 South African police, moving to evict a body of natives—religious fanatics who had established themselves in defiance of the law on commonage ground attached to the native location—was forcibly resisted. Repeated appeals to the natives to disperse were disregarded, and when the police advanced the fierce charge of the natives made bloodshed inevitable. The police fired and in about ten minutes upwards of 200 of the fanatics were killed and many more wounded. The tragedy, like all tragedies, had its touches of magnificence. The picture of a company of white-robed "Israelites" rushing madly upon the rifles and bayonets of the disciplined police, urged on by their "prophet," Enoch, and sublimely confident in the readiness and power of the Lord Jehovah to turn aside the bullets of the white man, is one which stirs the imagination, and in everything but the tragic disillusionment of its end, recalls some of the scenes of the Old Testament. Indeed, the Old Testament record at its more primitive levels, understood as only a primitive people could understand it, seems to afford the real key to a mysterious episode.

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The Government, six days later, very wisely published a Parliamentary Paper giving details of the events which had led up to the catastrophe, together with the Police Commissioner's report of the actual collision. These details are contained in a report from the recently appointed Standing Commission for Native Affairs. To any dispassionate reader the whole document affords a complete vindication of the Government's action, and if the volleys of Bulhoek should reverberate in Britain (as they undoubtedly will), it is devoutly to be wished that the friends of the Natives, while hearkening to those sinister echoes, will not close their eyes to the facts set forth in the White Paper. The vindication of Government, however, has not been unanimously accepted even in South Africa. On the one hand political partisans, who themselves in many cases would be willing to shoot down Kafirs with far less excuse, are making hypocritical capital out of the incident. On the other hand, sincere but ill-balanced friends of the Native look only at the lamentable bloodshed and talk about militarism and massacre, without weighing sufficiently either the momentous issues which were at stake or the exemplary patience of the Government in its handling of a perverse and stiff-necked generation.

The "Israelite" sect appears to be an offshoot of an American Negro "Church," known as "The Church of God and Saints of Christ." Its tenets and observances are a curious medley of primitive Judaism and debased Christianity. A South African Kafir introduced it in 1909, appearing as a "bishop" of the Church, and it was his successor, a resident in the Bulhoek Location, who led his people to the calamity of May 24. For some years past members of the sect had been in the habit of coming to Bulhoek as to a sort of Zion, for a great annual festival. They encamped on the commonage around a central tabernacle, and, after the celebration of the "Passover," dispersed to their homes. But after the 1920 festival there was no dispersal. Huts were erected, a road was diverted,



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a dam was built and ground laid out. Not only so, but the sectaries resisted the operation of the ordinary law. No taxes were paid, births and deaths were left unregistered, and the representatives of the State were firmly excluded. Though there was little turbulence or crime, the community was, nevertheless, a body of rebels as well as trespassers, justifying its action by appeal to the sovereign will of Jehovah as revealed through His prophet Enoch. An earlier attempt to remove them with an insufficient force ended in failure and, no doubt, aggravated the danger by appearing to justify their confidence in Jehovah. Appeals, persuasion, threats, bribes, argument by the Native Affairs Commission, magistrates and police officers, and the urgent entreaty of their fellow natives themselves, all proved vain and the drama moved on inevitably to its bloody conclusion.

It is not possible, as yet, to assess the total effect of the episode. Native feeling does not appear to have been stirred so much by the incident itself as by the injudicious language of some of the critics of the Government. Natives who knew the facts were quite aware of the obduracy of the offenders and of the great patience of the Government. Indeed, many of them had urged forcible action long before such action was taken on the reluctant recommendation of the Native Affairs Commission.

All that can now be said to any useful purpose is by way of calling attention to two points. One is the illustration which the calamity offers of the enormous difficulty of maintaining a civilised order under the reign of equal law in a country of such incommensurable peoples. The other is the glimpse which has been afforded to us of what is proceeding in the Native mind. In regard to the first point the Prime Minister emphasised the right moral when he insisted that, whatever happens, the supremacy of the law must be maintained or the South African State will explode into atoms. A man who has not hesitated to shoot his own kindred in the same cause, who himself piloted the Native Affairs Act through Parliament last

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year, who showed infinite patience in the management of the present affair, and who, more than any man, has cause to understand the disruptive tendencies which threaten us, has every right to speak thus. Hard as it may seem, force, even to the death, is better than the horrors of anarchy in such a land.

The other point is both more interesting and more obscure. Hence the willingness of Government (as expressed during the debate in the House) to appoint a Commission to inquire into this aspect of the matter, is to be welcomed. Clearly, the Native is going his own ways in religion. The Acting Prime Minister stated that there are already no fewer than 160 so-called Christian sects, each regarding itself as the chosen people. On the Rand recently there have been wonderful scenes of religious revivalism, Native preachers holding forth eloquently to vast audiences, making converts by the hundred, and bringing in the very police who had been sent to watch the meetings. In many cases there is more of Judaism than Christianity in these movements. The Old Testament figures largely as a source of inspiration, and its influence is too often of a sinister kind. That the tone of this diversified movement is anti-European, or, at least, independently Native, seems beyond doubt. To fail in making a thorough inquiry into the whole phenomenon would be foolhardy and well-nigh suicidal.

What it betokens no one can yet tell. Whether all these centres of ferment will coalesce to form a great fanatic movement somewhat akin to that of Mahomet, or whether they will empty themselves in internecine conflict, time alone can show. But that the result of all the unrest will be to stimulate a better understanding of black by white and an increase of safe outlets for Native energies, no one who appreciates the fundamental common sense of the South African people in handling the greatest of all its problems, can hesitate to believe.



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### IV. SOUTHERN RHODESIA

THE political situation in Rhodesia has been advanced to a further stage by the report of the Buxton Commission. This Commission was appointed by the Colonial Secretary to recommend the safeguards and procedure necessary for the establishment of responsible Government in Southern Rhodesia. Lord Milner, in December, 1920, stated that, if the electors endorsed the overwhelming verdict of the last general election in favour of Responsible Government, it would be granted. The Commission therefore considered that it was not concerned with possible alternative forms of government, though it noted that its proposals did not bar the way to the inclusion of Rhodesia in the Union of South Africa, if at any time the electors decided in favour of that course.

The Commission recommends that a draft scheme of Responsible Government be prepared and placed before the electors at a referendum. On receipt of this news the one non-official member of the Legislative Council, who favours Representative Government under the Crown instead of the Charter, moved that incorporation in the Union should be presented to the electors as an alternative to Responsible Government, and that the Colonial Secretary be requested to ascertain the terms on which the Union would be willing to incorporate Rhodesia. This proposal was made because of the fear that, if Responsible Government was rejected and nothing definite offered in its place, confusion would ensue, and Southern Rhodesia might find itself compelled to accept Union on the Union's own terms, "a sad thing." This motion was withdrawn in face of criticism, the exact nature of which is not known at the time of writing, but there can be little doubt that the motion represents the policy of the comparatively small body of Rhodesians who favour Representative

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Government and, since it was prominently noted in the Rhodesian and in certain sections of the South African Press, of the larger body whose hopes of union have revived since Smuts' victory at the last general election.

The main difficulties in the way of Responsible Government in Southern Rhodesia are the presence of a large native population and finance. The nearest parallel to her case is that of Natal, which received self-government in 1893.\*

As far as the natives are concerned, the Commission recommends that the Order in Council of 1898, under which the Company's administration was reorganised after the Rebellion of 1896-97, should be taken as the basis. Under this Order the High Commissioner will have the final word in the appointment of the Secretary for Native Affairs and the Native Commissioners ; the salaries of these officials cannot be altered without his consent ; he can also compel their suspension or dismissal. Native rights to equal treatment with Europeans, save only in the procuring of liquor, guns and ammunition, are to be secured, and their right to obtain the franchise and individual tenure of land are also to be maintained. The Native Reserves—some 19,500,000 acres out of 95,000,000—as defined by the Reserves Commission of 1914-15, will remain inalienable and vested in the High Commissioner. The High Commissioner will also have the right to call for reports on Native Affairs and to remit fines imposed upon chiefs or tribes. Provision is also to be made for the creation of Native Councils and Conferences similar to those laid down in the South African Native Affairs Act of 1920. The Commission recommends that these safeguards be embodied in the instrument creating the new Constitution.

Finance has always been a thorny problem in Southern Rhodesia. The Company holds the minerals, and from 1893

*	EUROPEANS.	NON-EUROPEANS.
Natal (1893) ..	47,000	497,000 (excluding Zululand)
S. Rhodesia (1920)	33,000	770,000



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to 1918 claimed the unalienated land as commercial assets. The administrative and commercial sides of the Company were not clearly divided till 1907-8. It therefore made up any deficits on the cost of administration, at the same time attempting to induce the Rhodesians to undertake to repay these deficits if ever the Company handed over the administration to them. This the Rhodesians have steadily declined to do since 1899. In 1918, after the Privy Council had decided that the unalienated lands were Crown lands, the Company not unnaturally declared that it would not make up any further administrative deficits. It is not sufficiently realised, however, that since 1908 the Rhodesian taxpayer has met current expenditure from taxation. The shortfall in one year has been made up by the surplus of the next. The Treasurer was even able to announce a small surplus for 1921, that year of deficits. This end has only been achieved, however, by rigorous economy in the public service and the ruthless cutting down of capital expenditure. In its present political status Southern Rhodesia cannot borrow. On the other hand, advocates of Responsible Government declare that the country can bear much heavier taxation and will be prepared to do so as soon as the Company has given up the reins of government. The income tax, for instance, is very low; the Company in their eyes could well contribute more than it does in the way of taxes; the great tracts of unimproved land held by "development" companies could be made to yield revenue.

It is easy to be too sanguine about the elasticity of Southern Rhodesian finance; it is still easier to be too pessimistic. It would seem to us, south of the Limpopo, that the pessimists are in this respect the more clamorous of the two parties.

The Buxton Commission shows that the new Rhodesian State would start with a debt of £1,500,000, including the £300,000 which the Imperial Treasury is prepared to advance towards capital expenditure during the next two

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years. Over and above this, there will be the unsettled balance of administrative deficits due to the Company under the Cave Award, that is nearly £4½ million, less the value of land allocated by the Company to its own commercial use (some 3¼ million acres), or granted to railway companies, in which the Company held all or a large portion of the shares, or handed over to land and other subsidiary companies, especially in the early days, to encourage the development of Rhodesia. The Colonial Secretary has stated that the Crown does not expect a surplus in its favour after these deductions have been made, hence the balance will have to be made up by the sale of Crown lands. The Commission recognises that control of the land is the crux of the whole situation. The Company, as a purely commercial concern, will be anxious to sell the land at a high price as rapidly as possible. It tried to carry out some such scheme in 1913, after it had abandoned all hope of finding the New Rand which had haunted the imagination of its directors and shareholders since 1889. The scheme led to much friction with the Rhodesians. It is difficult to see how similar trouble is to be avoided now, as the Rhodesians may wish to dispose of the land cheaply to attract new settlers. The Commission proposes that a Land Board consisting of one member appointed by the Governor, one nominated by the Company, and a chairman appointed by the High Commissioner shall administer the land. In case of a deadlock, final reference is to be made to the Colonial Secretary. The Commission also suggests that the Land Board shall fix the amount of the deduction to be made from the Cave Award. The whole scheme bears a temporary appearance.

As regards legislative machinery, it is proposed that there shall be a single chamber of from 26 to 30 members. At present there are 13 elected members in the Legislative Council. One of the difficulties in the way of Responsible Government is that the number of experienced men who can afford to spend any length of time at the sessions of



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Parliament is small. But this is a difficulty which can only be surmounted by experiment. The advocates of Responsible Government hold that it will be easier to find 26 men to sit in Salisbury than it would be to find a similar number to sit for a much longer period at Cape Town.

For the rest, the Commission speaks of a two-year interregnum, during which the present system of administration will be continued. At the time of writing, it is suggested that a deputation of elected members should proceed to London to discuss the whole question with the Colonial Secretary, if possible before General Smuts returns to South Africa.

South Africa. July 1921.

## NEW ZEALAND

### I. THE GOVERNMENT AND THE IMPERIAL CONFERENCE

**P**ARLIAMENT was summoned for a short session in March to confirm the decision that the country should be represented by the Premier at the Imperial Conference. The Government also desired Parliament to make the necessary financial provision to permit of the postponement of its ordinary session for a few months from its normal date in the last week of June. The propriety of sending Mr. Massey to the Conference was not questioned, but there was the usual party discussion on the question which, as usual, was declared to be entirely independent of party, viz., whether the ordinary business of Parliament should be suspended during the Premier's absence. The conflict between the claims of domestic and of Imperial business is unfortunate, but until the airship has shortened the route it is bound to continue, and with the increasing concentration of power in the hands of the Prime Minister and the shortening of the intervals between the calls to London it is likely to increase. Only once in twenty years has a New Zealand Government considered itself strong enough to carry on Parliamentary business as usual during the absence of its Chief. The Massey Government was intrinsically strong enough to do in 1921 what the Seddon Government did in 1902, but the fact that Mr. Massey's second in command, Sir Francis Bell, is in the Legislative Council, created a special difficulty.

During the recess such questions as the future of the



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battleship, the possibility of Britain's sinking to the position of third Naval Power, the renewal of the Anglo-Japanese Alliance, the control of the Pacific, and the agenda of the Imperial Conference had figured prominently in our cable messages, and had been freely discussed by the Press. But Ministers had left all these questions almost entirely alone, and given the Country no lead on any of them. This neglect became especially unfortunate after Mr. Lloyd George's urgency had convinced the Government that Mr. Massey must attend the Conference. Duty and interest were then at one in demanding that the Government should enlighten the Country about the chief questions likely to come before the Conference, their bearing upon the future of the Empire, and the general attitude which the Dominion's representative should adopt in each case. As the responsible leaders of the people, Ministers were clearly under an obligation to impart this amount of information. It was just as obviously to their interest to impress the people, whose Parliamentary business was to be suspended, with a sense of the importance of the business which was to have priority, and to prepare the public mind in a general way for sacrifices which are inevitable if the Imperial Conference faces the facts and its constituent Governments do their duty. No such educational process was attempted. Mr. Massey has a firm conviction that the public platform is not the best place for discussing nice questions of diplomacy, and it is probable that the conductors of the Empire's foreign policy would be thankful to see his example generally followed. But a caution which is carried so far in its own sphere as to allow the Dominion's attitude towards the Japanese Alliance to be grossly misrepresented without a prompt and emphatic protest, is extended to aspects of Imperial affairs to which the rule that free discussion is a condition of progress is just as plainly applicable as it is to any other phase of democratic activity. For this reason among others no attempt has been made to focus the keen Imperial senti-

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ment of New Zealand on the work of the Conference or the future of the Empire. We have sent Mr. Massey home with a blank cheque which well represents the blankness of the country's mind on issues which it might easily have been made to recognise as comparable in importance to those presented by Germany's challenge to the world.

### II. THE SAMOAN MANDATE

**A**N event of the first importance which, if the Imperialism of the Government had been as alert and active as it is sound, might have been made the means of impressing the public with the gravity of the problems awaiting the Imperial Conference, was the issue of the Pacific Mandates. The receipt by Sir James Allen of New Zealand's mandate for Western Samoa was reported by cable on January 28, and with reference to Australia's mandate for New Guinea the same message added: "A peculiar position has originated, through the Commonwealth claiming the right to receive the document directly as a Member of the League through the King without the intervention of the British Government." This procedure was certainly not in accordance with New Zealand's idea of propriety and policy. What she believed to be the sound course had been laid down by her Parliament about fifteen months previously in the Treaties of Peace Act, 1919. This measure, after reciting that "the League of Nations may be pleased to confer upon His Majesty in right of his Dominion of New Zealand a mandate to govern the said Islands [of Western Samoa] for and on behalf of the said League," proceeded to approve and confirm both the acceptance of the mandate and the exercise by the Governor-General in Council of any jurisdiction or authority over the Islands "which His Majesty may be pleased in pursuance of any such mandate to confer upon the



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executive Government of New Zealand." In moving the second reading of the Bill, on October 17, 1919, Sir James Allen, then Minister of External Affairs, said "if this Bill is passed, the Parliament of New Zealand will have agreed to the acceptance of the mandate by New Zealand on behalf of the Imperial Government, which has accepted the mandate on behalf of the League of Nations." He also said that, though Samoa would be neither a British possession nor, strictly speaking, a British protectorate, "His Majesty will undoubtedly have jurisdiction over Samoa within the meaning of the Imperial Foreign Jurisdiction Act."

The Bill was passed, and in the paper on "The Samoan mandate," read before the Royal Colonial Institute on November 2, 1920, Sir James Allen thus described the subsequent procedure and the reasons for it :—

After the passing of the Treaties of Peace Act, 1919, action was delayed for some time, though definite information had reached us that New Zealand was the mandatory Power to administer Western Samoa. The New Zealand Government, considering it imperative, without further delay, to dispense with the military occupation and establish a civil Government, after consultation with the British Government, and acting on a recent decision of the Appeal Court of the Dominion\* that New Zealand cannot legislate for territories beyond its limit, determined to take advantage of Imperial legislation, known as the Foreign Jurisdiction Act, 1890. Under authority of this Act an Imperial Order in Council entitled the Western Samoa Order in Council, 1920, was gazetted on March 11, 1920. This order states that : "Whereas by treaty, capitulation, grant, usage, and other lawful means His Majesty the King has jurisdiction in the said Islands, and it is expedient to determine the mode of exercising such jurisdiction : Now therefore His Majesty, by virtue of the powers by the Foreign Jurisdiction Act, 1890, or otherwise in His Majesty vested is pleased by and with the advice of his Privy Council to order and it is hereby ordered as follows," and then the order goes on to say that "The Parliament of New Zealand shall have full power to make laws for the peace, order, and good govern-

\* The decision of the New Zealand Court of Appeal to which Sir James Allen here refers as limiting the jurisdiction of the New Zealand Parliament to the boundaries of the Dominion was given in the case of *Rex v. Lander* ([1919] N.Z.L.R. 305).

## The Samoan Mandate

ment of Western Samoa in accordance with the provisions of the Treaty of Peace, and further that until that Parliament otherwise provides, the executive Government of New Zealand may by Order in Council exercise the like authority." Armed with this Order in Council and the New Zealand Treaties of Peace Act, 1919, the Samoan Constitution Order, 1920, was made on April 1, 1920, and Civil Government was established in Samoa on May 1.

The arguments, by which South Africa's assumption of her mandate without the intervention of any Imperial authority has been supported, have excited a good deal of uneasiness here. New Zealand has no desire to become a sovereign State, and sees nothing but danger in the division or multiplication of sovereignty which is supposed to have been effected by the Prime Ministers of the Empire sitting behind closed doors in London and Paris and acting without reference to their countries, their Parliaments, or even, it may be, their Cabinets, and probably with but the vaguest notion of the ultimate consequences. The impossibility of a dual sovereignty and a dual allegiance, and the fears for Imperial unity which the ambiguity of the Dominions' new status had inspired, were well expressed by Mr. W. Downie Stewart, M.P. (now Minister of Internal Affairs) in the debate on the Treaties of Peace Bill, 1919. His argument, which was quoted at length in *THE ROUND TABLE* for March, 1920 (pp. 469-470), concluded as follows :—

Does it mean that we by the act of signing this Treaty have assumed to ourselves sovereign power to make peace or war? I cannot conceive that such an intention was in the minds of the delegates to the Conference, but from the point of view of constitutional lawyers that is the logical result of the action they took.

In his reply to Mr. Stewart, Mr. Massey denied that there was any room for doubt in the matter.

The position (he said) was thoroughly understood. We signed it [the Treaty] not as independent nations in the ordinary sense of the term. We signed it as the representatives of self-governing nations within the Empire; we signed it as partners in the Empire, partners with everything that the name implies.



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After arguing that the real change in the Dominions' status had come when they were admitted to the Imperial War Cabinet, Mr. Massey continued :—

But so far as making war or peace is concerned, no Dominion has power to make either peace or war. If it becomes necessary—and I hope it never will—for Britain to declare war she will do so wholly as an Empire, not as the United Kingdom or as England ; and it will make peace as an Empire, and in making war or peace the British Dominions will have a full say.

In view of General Smuts' assertion that " the doctrine that the British Parliament was the sovereign legislative power for the Empire no longer holds good," and that South Africa remained at war until she had signed the Peace Treaty, it is not surprising that Mr. Massey's confident assurance failed to carry conviction. In the following session the matter was again brought up by Mr. Downie Stewart when the Treaties of Peace Amendment Bill was before the House (September 23, 1920). He repeated his previous warning, and he urged the Government to maintain its original attitude.

I understood (he said) that the Government were advised by the late Solicitor-General, Sir John Salmond, who is one of the greatest jurists in the Empire, that we should take the mandate through the British Government. General Smuts claimed the right to take it direct from the League of Nations, to whom alone he recognised responsibility, and if this view prevails it means the beginning of the break-up of the Empire. The view put forward by the New Zealand Government last year was the sound and proper one, and it cannot be too often reiterated, in order to make clear where New Zealand stands on this question.

The only declared change in the attitude of the Government since 1919 was on the formal point that the source of the Samoan Mandate was now recognised to be not the League of Nations, but the Allied and Associated Powers in whose favour Germany had by Article 119 of the Peace Treaty renounced all her right and title over her oversea

## The Samoan Mandate

possessions. Mr. Massey repeated his previous declaration on the main point but with a little more emphasis :—

When the Imperial Cabinet—the War Cabinet, as it was then—was convened, and representatives of the British Dominions were given the privilege and the right to sit with the statesmen of the British Empire around the Council table and take part in the government of the Empire—because that is what it means—we ceased to be what we had been before—we ceased to be dependencies in any sense of the word, and we became partners in the Empire, with all the privileges that belong to partnership. That is the position that I referred to last year, and that is the opinion that I hold. There is no doubt in my mind that instead of what has been done tending to disintegrate, there is now closer union between the different countries of the Empire than ever before.

Between these two complacent utterances of the Prime Minister, a note of warning had been sounded by the colleague to whose staunch, active and far-seeing Imperialism the obligations of the country during the last nine or ten years cannot easily be exaggerated. In a statement issued to the Press on April 20, 1920, Sir James Allen said :—

Some of the Dominions desired to deal with the League direct, and New Zealand had been asked whether it desired to do so or to transmit its representations to the League through the Mother Country. New Zealand favoured forwarding its representations to the League through the Mother Country. It was suggested that there should be a Secretariat in London to deal with representations from British Dominions to the League. The Secretariat could act as a sort of clearing house and co-ordinate the representations of the British Dominions. Negotiations on the subject were proceeding.

For the time being and for a long time to come it was desirable [Sir James Allen considered] that the Dominions' representations to the League should be made through the proposed Secretariat in London. The other procedure—independent representations by the Dominions to the League—might lead to the Dominions separating from the Mother Country and being independent. Realising the absolute necessity for the component parts of the Empire sticking together, New Zealand favoured the proposal that all representations to the League of Nations should be made through the Mother Country.



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The public has not been informed of the outcome of these negotiations, and the suggestion in the cable message quoted above that as a result of the Commonwealth's insistence the mandates for New Guinea and Samoa were not issued in the same way, is apparently incorrect. General Smuts and Mr. Hughes have carried their point not only for their own Dominions, but for all. New Zealand received her mandate direct from the League of Nations, in a letter sent from Geneva on February 11 last to her Prime Minister, and the correspondence thereon is not being conducted through Downing Street. The course in which Sir James Allen detected danger to the Empire was apparently accepted by New Zealand as soon as his back was turned, and neither Minister nor private member has had a word to say about it. While General Smuts is able to tell the Boer irreconcilables that the new procedure has made his country as independent as Hertzog himself could make it, Mr. Massey assures us that the procedure is really promoting a closer union than ever ; yet even Mr. Massey's robust optimism declines to stand cross-examination on the point as the following extract from the official report of last session will show :—

### STATUS OF THE DOMINION

13. Mr. Sullivan (Avon) asked the Prime Minister, whether he will during the debate on the Address in Reply define for the benefit of the people of New Zealand the legal position of this country in relation to the Empire and other States with regard to the signing of international treaties, also the extent to which New Zealand is bound by Imperial acts, such as declarations of war etc. The Right Hon. Mr. Massey (Prime Minister) replied, These matters will be considered at the forthcoming Imperial Conference, after which a more authoritative statement can be made.

Little use was made by the Government of the special session (March 10-22) to compensate for the lost opportunities of the recess. The Opposition's amendment to the Address in Reply brought domestic controversies to

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the fore, and speakers on the other side mostly found this ground more congenial than high Imperial plane. Excellent statements were made in the House by Mr. Massey, and in the Legislative Council by Sir Francis Bell, on the renewal of the Anglo-Japanese Alliance, in which appreciation of the Empire's obligations to Japan during the war and the desire to retain her friendship were emphasised, without any suggestion of weakening on the point which popular sentiment regards as settled beyond the possibility of compromise or even discussion—the maintenance of a “white New Zealand.” There is no apprehension of danger on this essential point, but it is generally recognised that the United States and China must be considered in the matter as well as the British Empire and Japan.

Except for this one point, the broad issues of Imperial policy were either ignored by Parliament or very perfunctorily handled. The Samoan Mandate was hardly touched, which was perhaps just as well, since previous discussions of the matter in Parliament have concentrated with a wearisome monotony on the question of indentured labour. Naval defence was hardly touched, and in spite of the recent issue of the mandates the Dominions' new status did not receive even as much attention as it had in the two previous sessions. The Labour amendment to the Address in Reply was of course utterly repugnant to the patriotism of the Dominion, but in its reference to the complete absence of any detailed reasons for holding the Imperial Conference, the Party aptly indicated the great opportunity that the Government had missed. With a view to focussing attention on some of the essential points, the Wellington ROUND TABLE Group on March 12 addressed to Parliament the Open Letter which is set out in the appendix. As the views expressed relate to the immediate needs of Imperial policy and are widely held, irrespectively of fundamental differences as to the ultimate solution of the problem, the letter is worth quoting.



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### III. AN IMPERIAL EXECUTIVE

MR. MASSEY'S one adventure in the field of Imperial policy was a very bold one. In a speech, which by the references to Japan mentioned above and the declaration that, if he thought the Dominion's membership of the League of Nations had weakened its connexion with the Empire, he would advise resignation from the League, the Premier urged the formation of an Imperial Executive with the British Prime Minister as its head and including at least one Minister from each of the Dominions and representatives from India and the other Dependencies. This Executive should meet at least once in two years, and in course of time the meetings would be yearly.

Its business he defined as being :—

to do whatever may be necessary in connection with foreign affairs, such as the making of treaties or the declaration of war or the making of peace . . . and the Executive should be responsible to the Parliament of the United Kingdom and to the Parliaments of the Dominions.

It is strange that a man who has been in contact with great affairs, and whose sincere contempt for theorists was expressed in the same speech, should commit himself to so crude a proposal. The House had nothing to say about it and the Press not very much. One friendly critic reminded Mr. Massey of the fiasco of his predecessor's imperfectly considered Empire Parliament scheme before the Imperial Conference of 1911, and urged him to consult his law officers before risking a similar fate. Unfortunately the unrevised proposal has been cabled round the Empire and received the general condemnation which was inevitable. Referring to the reputation thus acquired by Mr. Massey "of being something like a full-blown supporter of Imperial Federation, which is by no means the case," the *Auckland Star* wrote as follows on April 12 :—

The truth is that words like "Executive" or "Cabinet" should

## An Imperial Executive

be most carefully used. Mr. Massey had in mind what was not an Executive at all. A body of men consisting of members of the British Government and Dominion Premiers or subordinate Ministers, sitting in London to consider policy, could only be executive if it was responsible to one Parliament chosen from the Empire. That Parliament would have the power to impose taxation on, or at least to allot contributions from, the now self-governing parts of the Empire . . . But such taxation is the very thing that Mr. Massey has declared against. Similarly it is, strictly speaking, wrong to speak of the Imperial War Cabinet as such. It was "Imperial," it was "War," but it was not a Cabinet, and the reason was that there was not complete responsibility to a single Parliament.

After quoting the remark of the *Times* that "Mr. Massey's advocacy of an Imperial Executive is not shared by the other Dominions," the *Evening Post* (Wellington) of April 14 said that there was little evidence that it was shared by Mr. Massey's own Dominion, and expressed the doubt whether he would stand by his own proposal when he realised all its implications and consequences.

Mr. Massey (says the *Post*) has probably been surprised to find that a proposal made in a speech in which he unequivocally condemned Imperial Federation is regarded by the *Times* as certain to be rejected by General Smuts owing to his opposition to "any tendency towards an Imperial Federation." Yet the appointment of a representative and responsible Imperial Executive to deal with foreign policy, treaties, and declarations of war and peace, so far from being the short and easy step that Mr. Massey supposes, would only be possible after all the obstacles to Imperial Federation, which he so clearly sees, had been surmounted. Such an executive would not represent a preparation or a substitute for a federal scheme, but rather its final test and consummation. In one aspect Mr. Massey's scheme is but the Imperial Conference under another name. It is to have the same constitution and apparently all the same functions, but it is to meet at shorter intervals. On the other hand, it is [also] to deal with foreign policy and declarations of war, and it is to do so, not in the advisory capacity which is all that the Conference now possesses with regard to any issue, but with full executive power. Such a power could not possibly be entrusted to a body so constituted, and even if it had the best constitution in the world, it could not save the Empire from ruin unless in Mr. Massey's proposal that it should meet every year or every other year we could in an emergency substitute "day" for "year."



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The *Post* then points out that whether by accident or design, Mr. Massey has not brought defence within the scope of his Imperial Executive although "some joint control, at any rate of naval defence, is surely a necessary correlative to the functions which he specified." The article concludes as follows :—

Naval defence is, certainly, the one practical, urgent, and supreme need with which the Conference must deal. It is of infinitely more importance to New Zealand that the naval Defence of the Pacific should be set in order than that she should be represented in an Imperial Executive. On this momentous issue we can rely upon the help of Australia, though she looks askance on any constitutional change. Mr. Hughes has led the way in statesmanlike style. He asks no favours from Britain, nor does he beat the big drum of Australian independence, but he declares in businesslike fashion that "for Australia there is no alternative to participation in the scheme of Imperial naval defence in the interests of Australia." Is there any other alternative for New Zealand? Her interests point exactly the same way, and participation in an Imperial scheme should be much easier for her since she has no aspirations towards naval enterprise on her own account.

The seamy side of the Imperial sentiment of which New Zealand is justly proud is the acquiescence that it induces in dependence upon Great Britain for services which no self-respecting country can afford to delegate. The course advocated by Mr. Hughes represents a reasonable compromise between this acquiescence and the aggressive independence sometimes attributed to the statesmen of the Commonwealth. If Mr. Massey will support Mr. Hughes, the result should be not merely to make the Empire a good deal safer for democracy than it is at present, but to prepare the way for some such constitutional reform as that which Mr. Massey has at heart.

### IV. A NEW DEPARTURE IN DIPLOMACY

**A**FTER the previous part of this article was written a further advance of the Dominion towards diplomatic independence seemed to be indicated by the publication on May 28 of some correspondence between the United States Consul-General at Auckland and the Government

## A New Departure in Diplomacy

on the previous day. The Consul-General had telegraphed the Acting-Premier as follows :—

Department State Washington cables instructing me to ascertain the reason for refusal of license to Armour and Company of Australasia at Christchurch to export and to point out that American capital established business in accordance with New Zealand laws and that present action appears to be arbitrary and discriminatory.

The following reply was sent by Sir Francis Bell :—

I am in receipt of your telegram of this date. I shall be obliged if you will inform the American Department of State:—Firstly: That New Zealand action in regard to Armour and Company has been largely influenced by the result of the American inquiry into, and report upon, the dealings of that company in relation to the American Meat Trust; secondly: That no difficulty is placed in the way of Armour and Company exporting to America for American use the meat now in freezing store; thirdly: That license to export such meat to the London markets is refused; fourthly: That full warning was given to Armour and Company and the Meat Trust by the New Zealand Parliament in the year 1918, when it was enacted that every meat exporter must have license to export. It was then made clear that the Act was intended to prevent operations by the Meat Trust; fifthly: Armour and Company could not obtain license to export, and devised method of purchasing sheep and freezing them in the works of companies licensed to export; sixthly: This Government will not allow evasion of New Zealand laws; seventhly: Armour and Company now ask for license to export this meat because it is theirs in private freezing stores, and they ask for a license now which would not have been granted before the purchases, as they well knew; eighthly: The action of the Government is not an arbitrary one, and I regret that it should be considered proper to adopt such an expression with regard to it; ninthly: The business of the company was established with the object of establishing the Meat Trust in New Zealand in defiance of the Act of 1918.

The *Dominion* of May 30 called attention to the “marked departure from pre-war practice” which was made by this direct communication between the New Zealand Government and the representative of a foreign Power. While pointing out that the present inquiry was merely a preliminary request for information, the *Dominion* added that further correspondence was likely to follow, and put the



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pertinent question : " Should an impasse be reached in any such correspondence between a Dominion and a foreign State, what would be the position ? " In reply to this article and to similar criticism from the *Evening Post* Sir Francis Bell published the following statement on May 31 :—

On other occasions the American Government had sent communications through the American Consul-General. But, on the advice of the late Solicitor-General, the New Zealand Government had always replied that while it was ready to give the Consul-General every assistance in gathering information for himself, it would communicate with the United States Government only through the Secretary of State for the Colonies. The direct reply that had been sent regarding the Armour case was a new departure.

Further criticism elicited on the following day a fuller statement from the Acting-Premier, which is not easily reconcilable with that which is quoted above though decidedly more satisfactory.

Consuls of foreign nations in British territory [said Sir Francis Bell] have no diplomatic standing and no diplomatic position, and questions of public policy or of international relations of any kind are excluded from their functions. Consuls are appointed for trade purposes and to facilitate interchange of communications between nations in relation to trade and commerce. Governments recognise the mutual advantage which consular communications provide in that respect, and, in relation to trade, direct communications do take place between the Governments and the consular authorities. This course is more frequently followed in the British Dominions abroad than in other parts of the world, for the reason that thereby the information required is more readily obtained and supplied. . . .

The above explanation should make clear that direct communication between foreign consuls and the Government of New Zealand on matters affecting trade is not irregular or novel, and that such communication does not constitute any assertion of independent sovereignty.

Referring to the suggestion that the course taken might mark the opening of direct diplomatic relations between New Zealand and foreign Powers Sir Francis Bell said :—

I should be one of the last to admit the possibility of the creation of such diplomatic relations, because I follow Mr. Massey in his

## A New Departure in Diplomacy

insistence on the duty of maintaining the integrity of the Empire and the recognition of the practical impossibility of the creation of diplomatic relations with foreign nations without a corresponding assertion of independent sovereignty.

Even if the critics of the Government are right, a blunder which resulted in this emphatic repudiation of a diplomatic procedure that seems to be demanded by General Smuts's theory of Dominion sovereignty has not been in vain. While gratefully acknowledging the value of Sir Francis Bell's lucid exposition the *Evening Post* of June 3 argues nevertheless that it does not fully justify the Government:—

Was the inquiry submitted by the United States Government through its Consul-General really of the nature of a "trade question"? or did it come within the sphere of "public policy and international relations" with which Sir Francis Bell says that consuls should have nothing to do? It seems to us that the matter came within the latter category. The American Government's inquiry was not inspired by curiosity about markets or prices or the like. It wanted to know what the Dominion Government had been doing to certain American citizens, and even accompanied its inquiry with the intimation that the treatment appeared to be "arbitrary and discriminatory." The Acting-Prime Minister repudiated the charge with a spirit which no mere economic inquiry would have evoked, and both the charge and the retort indicated that such delicate matters as national honour and international rights were really involved.

A message from Washington has since informed us that Armour's have submitted to the British Foreign Office, through the American Embassy, a denial of the New Zealand Government's charges.

New Zealand. June 13, 1921.



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## APPENDIX

### *An Open Letter from the Wellington Round Table Group to the Parliament of New Zealand*

In view of the intended departure of the Prime Minister to represent the Dominion at the Imperial Conference, we venture respectfully to submit the following points for the consideration of Parliament :—

1. Is New Zealand, as the representatives of some other Dominions contend, an independent sovereign nation with power to make war and peace on her own account ? If so, do the *Chatham* and the *Philomel* sufficiently provide for her protection ?

2. If New Zealand is not an independent nation and has no desire to become one, is it not time that she considered whether through her acquiescence tendencies are not being developed in that direction, remembering that it is “ easy to drift into separation, but that we cannot drift into union ? ”

3. If New Zealand is an integral part of the British Empire and absolutely dependent upon the British Navy for the protection of her commerce, her racial purity, and her very existence, is it right that substantially the whole cost of that Navy should be borne by the British taxpayers ? Is it possible that they will be content to bear it indefinitely ? Is it possible that we shall be content to sponge upon their generosity until it is exhausted ?

4. Is it not our plain duty to come forward without waiting to be asked, and, as comrades of our friends in the Mother Country and fellow-subjects of the King, to offer to bear our fair share of the burden of Imperial Defence on whatever basis of population or wealth or trade or what-not may be found to be equitable ?

5. Is it to the League of Nations or to the British Empire that the Dominions must look for protection in time of trouble ? And to which should they look for a definition of their constitutional rights ?

6. Is it right that the Dominions should treat the status conferred upon them by the League of Nations as changing their constitutional position in the Empire, and entitling them as sovereign bodies to set up foreign policies of their own in competition with Great Britain, and to ask foreign countries to support their policy against hers on a foreign tribunal ? What power would the Dominions have to enforce their policy unless they had the British Navy or some foreign forces behind them ? Is New Zealand anxious to have a foreign policy of her own, and, where it differs from Britain's, to ask a foreign Power to enforce it ?

## Appendix

7. Is it possible for the Empire to have five different foreign policies and yet remain united ?

8. If, as is conceded, it is wrong that Britain should commit the Dominions to war without consulting them, is it right that the Empire should be exposed to the risk of war by the uncontrolled act of a single Dominion ? If General Smuts is right in his contention that South Africa remained at war until she ratified the peace, and that she will not be at war again until she has herself declared it, does not this mean that the British Empire has ceased to be an Empire without becoming an Alliance ?

9. Is not some arrangement under which a united Empire can adopt and promote a common foreign policy the only possible safeguard against disunion and disintegration ? And, until the necessary constitutional changes can be made, is there any possible organ for the expression of the mind and will of the whole Empire except the Government and Parliament of Great Britain, guided and fortified by the fullest possible consultation with the Dominions ?

10. Is it not right that the Dominions should, as Lord Milner advises, cease their insistence upon rights which nobody disputes ? Should they not face the far more difficult and important problem of their duties ? Having been freely admitted to the Imperial partnership on the footing of nationhood, should they not proudly undertake all the obligations of their new dignity, and scorn with equal determination their previous status of dependents or sleeping partners and the false glamour of a so-called independence which can only end in disaster ?

11. If the views we have suggested are, as we believe, in strict accord with the patriotic sentiment of the Dominion, is it not desirable that those who are officially qualified to speak for it should give them a clear and authoritative expression ?

12. And if these views are not of the kind which has been most advertised in some other parts of the Empire, does that make such an expression any the less desirable ? If New Zealand has not shrunk on previous occasions from giving the patriotism of the Empire a lead, should she hesitate now ?





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# THE ROUND TABLE

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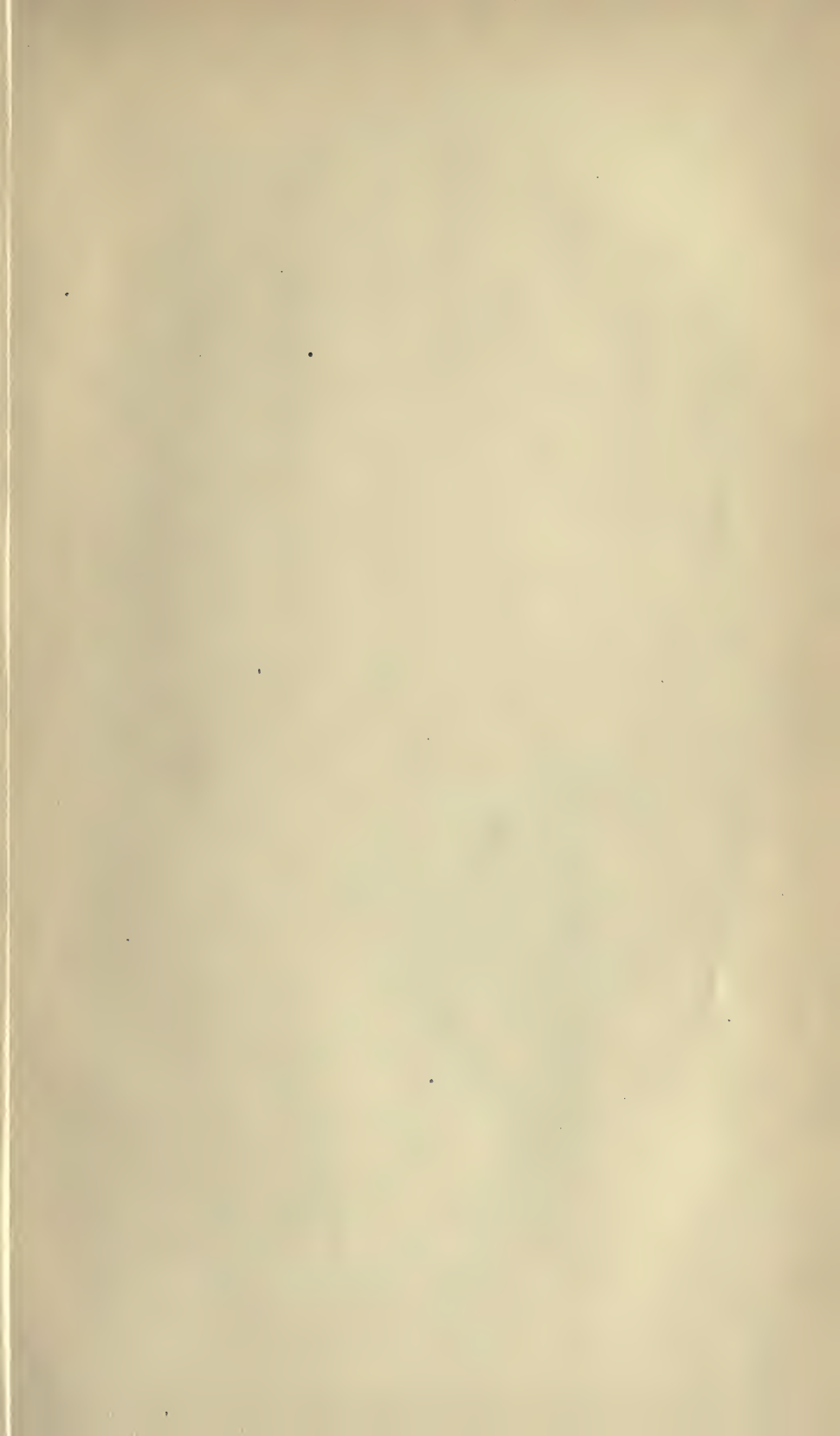
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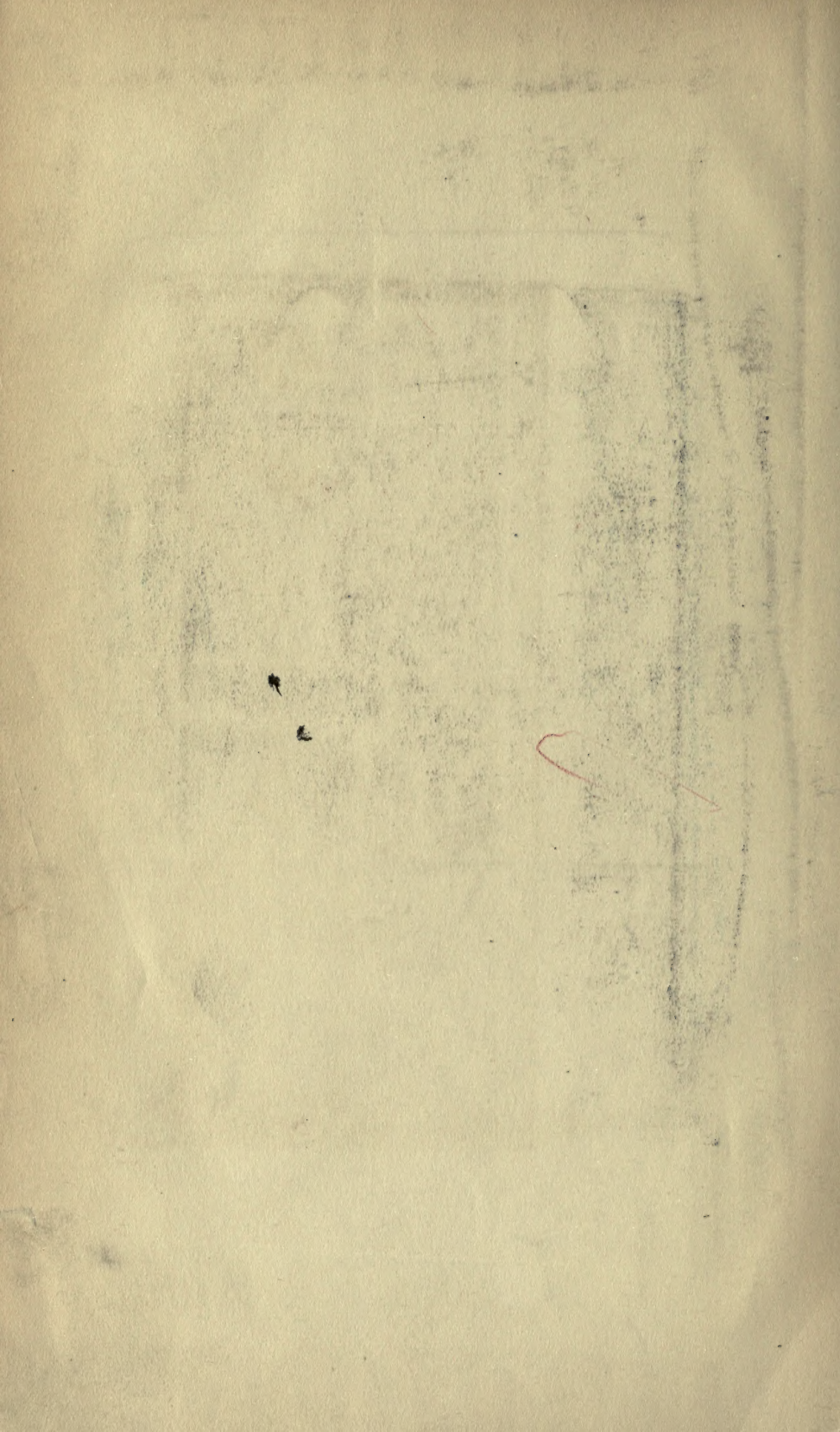












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